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LUXEMBOURG
Grand Duchy wakes up to reality
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World News

Menem may take office in Argentina 'in 30 days'

There were fresh indications that Peronist Carlos Menem, Argentina's president-elect, may enter office early after a senior party official said the new administration would be ready to takeover "within 30 days". Page 8

Solidarity rejection
Solidarity union movement said its success in Poland's elections did not give it a mandate to take power. Page 20

US-Soviet accord
The US will sign a new agreement with the Soviet Union to prevent accidental military incidents from developing into conflicts. Page 8

Lawson denies split
Nigel Lawson, UK Chancellor of the Exchequer, denied the were splits in the Thatcher Government over economic policies. Page 9

Indian troop gulf
A gulf emerged between the Indian and Sri Lanka governments over Indian troop withdrawal. Page 6

W German call
West Germany's Foreign Minister called for UK action to promote European integration and lower East-West barriers. Page 2

Surinam air crash
More than 160 people died when a Surinam Airlines DC-8 aircraft crashed near the capital Paramaribo. Page 8

Peruvian crackdown
Peru's Cabinet plans to crackdown on subversive activity and to tackle crippling hyperinflation. Page 8

French rights
The French Government was accused of flouting human rights by imposing driving and drink curbs during French revolution bicentenary celebrations in July. Page 2

Dock strike appeal
Britain's biggest union is to appeal a court decision to grant port employers an injunction banning a national docks strike. Page 9

Collision kills 21
Twenty-one people were killed in a collision between a Bangkok-bound bus and a truck in central Thailand.

Hospital opt-out
UK health minister Kenneth Clarke said more than 170 hospitals were interested in becoming self-governing under new health laws. Page 10

Drugs seizure
Italian police seized cocaine with a street value of about $6m from a Filipino-flagged merchant ship.

UK brain drain
The UK is suffering a brain-drain as top economists and academics leave for better salaries in the US. Page 10

Piper Alpha body
A body has been recovered from the wreckage of the Piper Alpha platform almost a year after the explosion which killed 167 men off Scotland.

Hawke to visit UK
Australian Prime Minister Bob Hawke will visit Britain from June 20 to 24.

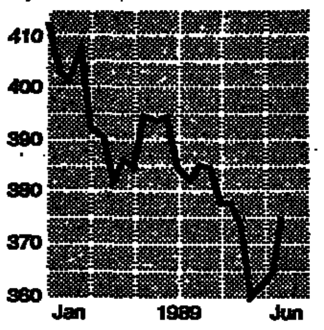
Business Summary

Paramount launches $10.7bn bid for Time

Paramount Communications, US entertainment and media group, formally launched its $10.7bn tender offer for Time, US publishing and media group, as Wall Street prepared for one of the biggest and most unpredictable takeover battles in US history. Page 21

GOLD bullion's price in London jumped by $10.25 a troy ounce from Tuesday's close

Gold price
$ per ounce in London



to $375.50 after a surge of overnight buying on the New York Commodity Exchange (Comex) futures market. Page 32

SHORTS, Northern Ireland aviation and defence equipment manufacturer, will be sold to Bombardier Group of Canada. Page 21

WORLD Bank and International Monetary Fund gave details of financial aid to help Mexico reduce debt liabilities. Page 20

EXXON, US oil company, and Shell, Anglo-Dutch oil company, plan a $202m expansion in Scotland. Page 10

EUROPEAN Commission ruling will force top producers of industrial gases to scrap restrictive sales agreements. Page 20

DANYARD, Danish shipbuilder, is negotiating a deal to modernise Soviet fishing vessels and accept payment in fish. Page 6

RANK Organisation, UK entertainment group, has doubled the size of its 1987 financing to $1.4bn. Page 25

ISTITUTO San Paolo di Torino, Italian bank, will pay $10m to acquire 20 per cent of Interbank, a Hungarian bank. Page 25

ITV, UK television group, approved the sale of Independent Television Publications, publisher of TV Times, to Reed International in a deal worth $176m. Page 30

MCDERMOTT International, US engineering group struggling with a depressed market for new offshore platforms and marine pipelines, reported a sharp fall in losses. Page 24

MONDADORI, Italian publisher, is examining plans to issue up to $140m of five-year domestic bonds with warrants to buy shares in La Repubblica newspaper. Page 25

SMH, Swiss watch group, saw 18 per cent rise in sales over the first five months of 1989. Page 22

ALGERIA is set to increase gas exports to the US to offset $252m cost of Boeing 767s bought by Air Algerie. Page 6

GOODYEAR, US tyre company, has divested from South Africa citing US sanctions and double taxation for its decision. Page 24

PERTAMINA, Indonesia's state oil company, is seeking big price cuts in talks with a UK-Japanese construction consortium on the country's sixth oil refinery. Page 6.

INDIA accused US of putting its interests first and neglecting developing countries in Uruguay Round of trade negotiations Page 6

Chinese leadership tightens grip as troops redeployed

By **Robert Thomson** in Peking and **David White** in London

A REPRESSIVE Communist Party leadership appeared to be consolidating its control of the Chinese capital while thousands of foreign residents scrambled to leave Peking yesterday amid scenes of near panic at the airport.

Britain and the US stepped up their evacuations after troops fired on a residential area in the diplomatic zone. Other countries followed their decision to remove all non-essential diplomatic staff and all dependents.

China's most prominent dissident, Fang Lizhi, the astrophysicist, sought refuge at the US Embassy in Peking, which Xinhua, the official news agency, said was "interference in China's internal affairs." The US now faces a difficult diplomatic problem in deciding what to do next.

The ministry statement expressed "profound regret" over the suspension of US arm sales to and military exchanges with China, and said Washington had "flagrantly made unwarranted charges against China over a matter that is purely China's internal affair.".

Until yesterday the Chinese Foreign Ministry had remained isolated from the country's hardline leadership. Its release of a statement condemning the US Government was a sign that it has now begun to fall into line behind the ruling Communist Party faction.

Thousands of troops were withdrawn from the capital in convoys yesterday and early today. Some diplomats suggested that these could be deployed against other Chinese troops, but other Western sources said the army was expanding its control by fanning out from the centre of the capital to more outlying areas, with troops resting up in camps located around Peking's civil and military airports as the leadership becomes more confident of its authority.

The hardline leadership's control is still based on the firepower of the People's Liberation Army, which continued to inspire fear earlier yesterday with random shooting into the streets and at crowds. The city was eerily quiet early today, with foreigners' compounds virtually empty, few cyclists on the streets and the army's guns silent for the first time since Saturday.

Some diplomats and military analysts within the country now think the forces brought into Peking to attack the demonstrators last weekend were units drafted from different military regions rather than entire formations, in what seemed to be a deliberate effort to avoid potential loyalty problems. Most of the troops taking part in the suppression were believed to have been taken "out of circulation" beforehand for political indoctrination.

They would probably have been denied access to television, newspapers or correspondence during this period. Many regional army commanders appeared to have been replaced in the last three weeks.

Informed diplomats suspect that the next phase of the leadership's assertion of its authority will be a crackdown against the various categories of "counter-revolutionaries" listed in party statements in recent days. Those likely to be detained include student activists, liberal intellectuals, and workers who took prominent roles in the pro-democracy movement.

There were more unconfirmed reports of fighting between troops ofthe 27th army, which took over the city on Saturday night, and the 38th army, thought to favour a more liberal leadership, and

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Crisis in China, Page 4

Greenspan predicts a soft landing for US economy

By **David Lascelles** in Madrid, **Anthony Harris** in Washington *and* **Janet Bush** *in New York*

MR ALAN Greenspan, chairman of the US Federal Reserve, is optimistic that the US economy can achieve a soft landing.

His comments, disclosed yesterday, followed hard on the heels of evidence that the US central bank has eased its credit policy, in response to signs that US growth is slowing and that the dangers of inflation may be passing.

According to bankers attending a closed session of the International Monetary Conference in Madrid, Mr Greenspan said that US economic activity seemed to be levelling out, without an accumulation of inventories. He also described wage growth as "remarkably restrained."

On Tuesday, the Fed signalled that it had eased monetary policy a little by lowering the Fed Funds rate, that at which banks lend to each other overnight. This cautious move follows a series of indications that inflationary pressures have abated.

Growth has been rather below the 2.5 per cent annual rate which the Fed is thought to have regarded, since the beginning of the year, as safe.

However, the most recent figures show that there was some renewed pick-up in car sales towards the end of the month, a bottoming-out in the housing market and a recovery in the previously weak figures for wholesale turnover.

The wholesale figures also show that inventories remain under tight control. This has reduced official fears of a possible recession, and may explain why the Fed has seen no cause to act more vigorously to reverse the slowdown, despite the embarrassing strength of the dollar in the foreign exchange markets.

The dollar weakened somewhat yesterday but this seemed to be due more to a tailing off of speculative inflows, triggered on Monday after the weekend crackdown in China, than to any reaction to the Fed's easing.

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McCaw bids $6.5bn for rival US cellular telephones supplier

By **Roderick Oram** in New York

McCAW cellular Communications, an ambitious young US company partly owned by British Telecom, has launched a $6.5bn bid for one of its rivals designed to lock up its position as the leading supplier of cellular telephone services in the US.

It is offering to pay $120 a share for LIN Broadcasting, a small New York company with highly valuable licences for cellular services in five of the 10 largest US cities.

McCaw Cellular, based in the Seattle suburb of Kirkland, has been stalking LIN for more than a year. It accumulated a 9.8 per cent stake in the target company last year and, to finance its whirlwind expansion, agreed in principle in January to let BT buy the 22 per cent interest in it for $1.5bn.

McCaw Cellular is already the largest licence holder in the US, covering a population of 50m, of whom some 300,000 were subecribers to its services at the end of the first quarter.

LIN's territories would add another 18m potential subscribers in cities such as New York and Los Angeles, prime metropolitan areas which so far have eluded it.

"The next stage in the development of American cellular communications must be the rationalisation of the many disconnected fragments of the industry," said Mr Craig McCaw, company chairman.

A combination of McCaw and LIN would give it unassailable bases on the eastern seaboard, Texas and southern California in addition to its other territories around the country. The takeover would be a substantial step toward providing "a truly national cellular network," Mr McCaw said.

Wall Street is expecting a fierce fight for LIN, either from its existing management or from the big regional companies making up the conventional Bell telephone system. The Bell companies are already leading players in the cellular market, but face a number of big financial and regulatory hurdles in their efforts to block McCaw.

LIN's shares jumped $23¼ to $127 and McCaw gained $2½ to $45¾ by early afternoon as takeover speculators dug in for a pitched battle.

LIN's only comment yesterday was that it would study the bid. Analysts think it might try to sell off its licences piecemeal, leaving it as an owner of seven television stations and some minor publishing operations.

McCaw Cellular had no comment on whether it would sell LIN's broadcast assets if it won control of the company. The stations are worth around $1bn, analysts say.

It appears that McCaw Cellular could adequately finance the bid without having to sell them. But the high cost of equipping its cellular territories and developing their subscriber base could persuade it to raise money by disposing of the broadcast assets.

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Nuclear opponents win fight to shut plant in California

By **Louise Kehoe**
in San Fransisco

RESIDENTS of Sacramento, California's state capital, have voted to close a 15-year-old nuclear power plant, a decision that could have nationwide repercussions for the US nuclear power industry.

Rancho Seco is the first operating nuclear power plant in the US to be shut down as the result of a vote after years of effort by opponents of atomic power. In 14 previous ballots, in various parts of the US over the past 13 years, voters have chosen to keep nuclear plants in operation.

Though the vote was not binding, the Sacramento Municipal Utility Board has said that it will abide by the decision, and that plans were under way to shut down the reactor today.

The vote comes amid growing concern in the US about the safety and cost of nuclear energy plants. This has been exacerbated by worries about the integrity of the nation's nuclear weapons factories. On Tuesday, the Justice Department opened a criminal investigation into possible environmental violations at the Rocky Flats nuclear weapons plant in Colorado.

The Sacramento debate focused on economic and environmental issues, but the cost of the plant became the centre of the argument.

"We made it a referendum on the poor performance of the plant and its future bleak potential," said Mr Robert Mulholland, leader of the campaign to close Rancho. The vote was close, but 53.4 per cent of the voters sealed the fate of the plant.

The ballot reflected anger over electricity costs in the area and a lack of confidence in the operators of the plant.

Rancho Seco has had more than 100 unplanned shutdowns. Last June, voters approved an initiative to keep Rancho Seco going on trial for up to 18 months.

Since then, the plant has been off-line for more than 100 days. Its supporters argued that the problems had been solved by a $400m overhaul. But the credibility of the utility company was severely dented in January when the Nuclear Regulatory Commission levied $100,000 in fines on SMUD after it found that former managers at Rancho Seco falsified records to conceal the

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Nikolai Ryzhkov at yesterday's Supreme Soviet session

Moscow pledges big defence cuts

By **Quentin Peel** in Moscow

MR NIKOLAI RYZHKOV, the Soviet Prime Minister, yesterday promised radical new cuts in Soviet defence spending by 1995, to reduce the military share in national income by one-third to a half.

The cuts could mean a reduction of more than Rs28bn ($43bn) in the current officially-admitted level of Rs77.3bn. This amounts to some 12 per cent of Soviet national income.

"We intend to persist along the road of disarmament," Mr Ryzhkov declared, "seeking to reduce the share of defence spending in our national income by one-third to a half by 1995."

The unilateral cut of 14 per cent in the defence budget already announced by Mr Mikhail Gorbachev, the Soviet leader, will produce savings of only Rs10bn by 1991.

Mr Ryzhkov, confirmed as Soviet Premier, presented his government programme to the new Congress of People's Deputies. He gave a sombre account of the critical state of the Soviet economy and government finances, in which the prospect of further radical defence cuts was one of only a handful of optimistic notes.

"The consumer market is in dire straits, and public finances are in disarray," he said. Both agriculture and construction were languishing.

Mr Ryzhkov warned that loss-making industrial enterprises would receive no more subsidies after 1990, and every republic in the union would be expected to balance its budget from 1991, without hand-outs from Moscow.

Large-scale foreign borrowing was not an option, because the country's debt-service ratio – the proportion of its export earnings required to finance debt interest and repayments – had "passed the red line of 25 per cent."

Mr Ryzhkov cheered the gloomy deputies with promises of better pensions and social security for the lowest paid 15 per cent of the population, living below the poverty line.

The Soviet Prime Minister revealed that the Soviet invasion of Afghanistan had cost Rs5bn a year, for more than nine years of warfare. Of the "real" defence budget of Rs77.3bn spelt out by Mr Gorbachev last week, Rs32.6bn was for arms and equipment, Rs15.3bn for research and design, and Rs20.2bn for maintenance of the army and navy. This may still be an underestimate.

The largest item in the space budget of Rs6.9bn annual spending was Rs3.9bn for "defence purposes", with Rs1.7bn for "economic and research purposes," and

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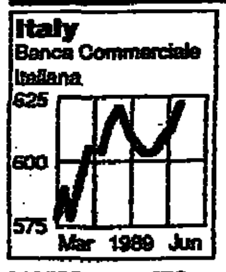
MARKETS

Italy
Banca Commerciale Italiana



INTEREST RATES
US lunchtime
Federal Funds 9½% (9 9/16)
3-mth Treasury Bills: yield: 8.43% (8.45)
Long Bond: 105½ (105 1/16)
yield: 8.36% (8.4)
London
3-month interbank: close 13 11/16% (14 1/16)

STERLING
New York lunchtime
$1.5785 (1.5745)
London:
$1.5820 (1.5895)
DM3.1025 (same)
FFr10.5400 (10.5500)
SFr2.6850 (2.6900
Y225.50 (224.25)

DOLLAR
New York lunchtime
DM1.9698 (1.9715)
FFr6.6915 (6.6990)
SFr1.7065 (1.7085)
Y142.60 (142.63)
London:
DM1.9615 (1.9770)
FFr6.6625 (6.7225)
SFr1.6975 (1.7140)
Y142.45 (142.90)

GOLD
New York latest
Comex August
$381.4 (383.2)

STOCK INDICES
New York lunchtime
Dow Jones Ind. Av.
2,509.19 (+12.87)
S&P Comp
326.44 (+2.20)
London:
FT-SE 100
2,117.9 (+10.5)
World:
141.17 (Tues)
Tokyo
Nikkei Ave
33,626.89 (+174.88)
Frankfurt
Commerzbank
1,771.8 (+21.1)

OIL
Brent 15-day (Argus)
$18.075 (-0.325) (June)
West Tex Crude
$19.875 (-0.43)
(July)

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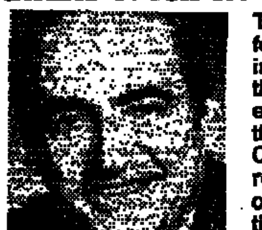
Poisoned economic chalice awaits Greek election victor



There are no prizes for guessing Greek industry's favourite in the June 18 general election. In contrast to the Prime Minister, Constantine Mitsotakis received a standing ovation at the Federation of Greek Industries recent assembly Page 2

European monetary area with single currency is inevitable, says Bonn Minister

Genscher plea to UK on EC integration

By David Marsh in Düsseldorf

WEST GERMANY'S Foreign Minister, Mr Hans-Dietrich Genscher, yesterday called for full action by Britain to promote Western European integration and lower East-West barriers.

Mr Genscher also delivered an oblique warning that, if Britain did not take part in steps towards European monetary union, it would be left out.

"The European monetary area with a European currency will come – nothing can hold up the process. We wish with all our hearts that Britain decides to play a part."

Mr Genscher was speaking at a ceremony marking the 40th anniversary of the German-English Society set up after the War to promote bilateral understanding.

He made no direct reference to the recent row between London and Bonn over short-range nuclear missiles. But he said the Nato compromise last week set the pattern for "active and dynamic" development of East-West relations in which military aspects would progressively be reduced.

Mr Genscher voiced disappointment at Britain's continuing refusal to join the exchange rate mechanism of the European Monetary System. He also reminded Britain that the Single European Act had committed all EC members to work towards monetary union.

Referring indirectly to well known reticence of Mrs Margaret Thatcher, the British Prime Minister, about monetary integration, Mr Genscher said: "Without a European currency, the internal market will not develop fully." He added, though in distinctly less than rousing tones: "Europe needs the United Kingdom."

Replying to Mr Genscher's speech, Mr Douglas Hurd, the British Home Secretary, gave an amiable but low key address which paid tribute to Anglo-German relations but distinctly lacked any Genscherite vision.

Mr Hurd, who became acquainted with European affairs during his previous spell as a junior Foreign Office minister, gave only a hint of discord over short range missiles when he spoke of modernisation of British extradition procedures.

In a reference to the debate over upgrading Lance missiles in West Germany, he said: "Is it possible to use the word modernise" – drawing polite but strained laughter from the audience.

Mr Hurd, who conferred yesterday morning with his West German opposite number, Mr Wolfgang Schaeuble, announced that a British drugs liaison officer would shortly be sent to Frankfurt to improve bilateral collaboration on combating drugs smuggling. A German drugs enforcement officer is already stationed in London.

He acknowledged Mr Genscher's "brisk exhortations" on European matters but said the two countries should not be worried that "debate and disagreement" accompanied the European political process.

Mr Hurd also touched on a further point of West German-British differences when he spoke of the need for continued enforcement of frontier controls in spite of the post-1992 lowering of EC barriers.

He recalled that Chancellor Helmut Kohl himself in February had urged "a proper balance between the opening of the frontiers on the one hand, and the compelling needs on the other hand of fighting against crime."

Mr Hurd quoted West German statistics to show that in 1987 more than 90,000 people were detained at Federal German borders, and a further 130,000 were turned back. In Britain in 1987 British Customs at the borders seized 90 per cent by weight of all the heroin, cocaine and cannabis confiscated in the UK.

Mikhail Gorbachev and Vice President Anatoly Lukyanov vote at the start of the first session of the Supreme Soviet yesterday

Gorbachev blocks contest for top posts

By Quentin Peel in Moscow

SOVIET President Mikhail Gorbachev yesterday demonstrated that he can be an autocratic party boss in a one-party state, when he railroaded his nominations for top government posts through the Supreme Soviet, the country's new standing parliament.

He overruled a string of appeals for a genuine contest of two or more candidates for the job of chairman of the People's Control Committee – a watchdog body to prevent corruption and inefficiency in government – insisting on his choice as the only candidate.

He refused to accept the nomination from the floor of Mr Boris Yeltsin, the Communist Party rebel who has won huge popular support for his campaigns against corruption and privilege in the Soviet establishment. Instead, the job went to the President's candidate, Mr Gennady Kolbin, the Communist Party chief in the republic of Kazakhstan.

Mr Kolbin, although recognised as an anti-corruption campaigner, is heartily disliked by the radical fringe because the elections in Kazakhstan were probably the least democratic in the country: Mr Kolbin himself won with a yes vote of 97 per cent, and 16 of his regional party leaders stood unopposed.

The tough side of the Soviet leader emerged after Mr Nikolai Ryzhkov, the sole nominee to continue in his present job of Prime Minister, was overwhelmingly endorsed by the new assembly.

It is clear now that Mr Gorbachev and the rest of the Communist Party leadership do not interpret their version of democracy as meaning multiple candidates for top jobs.

First in the Congress of People's Deputies, where Mr Gorbachev himself, and then his vice-president Mr Anatoly Lukyanov, were elected unopposed, and now in the Supreme Soviet, there has yet to be a contested election.

The system has caused anger and frustration among a minority of more radical deputies, who yesterday called at *least for the gesture of a con*test to be presented.

Speaker after speaker proposed that Mr Yeltsin be nominated to make it a contest. "The chairman of the People's Control Committee must be independent and must not be subordinate to the Party, and we won't have this if we choose Kolbin," Mr Roy Medvedev, the dissident historian, pleaded. "The committee should have such a leader as Boris Yeltsin."

Yet the radicals were crying in the wind. A string of tough party bosses had already got it all decided: Mr Gorbachev himself, Mr Ryzhkov, Mr Kolbin, and even Mr Yeltsin – as autocratic as any when he ran the Moscow city party – who pledged his support for the Kazakh party chief.

Mr Gorbachev told the Soviet: "Let's not get into a muddle and stand firm by the constitution. I don't want to deprive you of fulfilling your role, but I ask you to treat likewise with respect my power and authority."

His flat refusal to see a contest instantly brought the majority of the assembly to heel. Mr Fyodor Burlatsky, the political scientist, made an abject speech about how the US president also put up single nominations in Congress.

There was still a small rebellion in the end: 34 of the 542 deputies voted against the nomination, and 53 abstained, but Mr Kolbin won the usual overwhelming majority.

Serbs dig deep for the popular cause

By Judy Dempsey in Belgrade.

AS Mr Ante Markovic, Yugoslavia's Prime Minister, attempts to rally the country behind his radical economic reforms, Mr Slobodan Milosevic, the Serbian leader, is enlisting the help of his people at home and abroad to modernise his republic's economy.

Unlike Mr Markovic, who delivers worthy speeches which explain the Government's economic programme, Mr Milosevic adopts a more populist approach. He is appealing to the patriotism of Serbs all over the world to make Serbia strong again.

But even Serbs cannot live by patriotism alone. Mr Milosevic, revered by his people for restoring their control over the Albanian-populated southern province of Kosovo which they have long regarded as the cradle of their culture, is also asking for money.

Despite an inflation rate due to reach 1,000 per cent by the end of the year, Serbs are enthusiastically responding.

Every day, dinars and deutschmarks, dollars and schillings pour into the coffers of Serbia.

Particularly generous donors are honoured by having their name and photograph published in Polityka, the Belgrade daily which wags have re-christened the Milosevic Herald.

Only yesterday, one Professor Branko Ostojich from Belgrade University magnanimously donated DM3,000 (£967). Serbs nod their head in approval: a real patriot if there was ever one.

But should one dare ask what will happen to the money? Mr Milosevic has ambitious, if not grandiose plans to make Serbia a modern, high-tech economy. But he also has to make up for lost time in Kosovo.

Six hundred years ago this month, the Serbs were defeated by the Turks at the Battle of Kosovo-Polje, and driven out. Under the guidance of Mr Milosevic, Serbs are now trying to stamp their *identity once again on this* unhappy region which, they say, has been overrun by ethnic Albanian "separatists and nationalists" who wish to get rid of all Serbian influence.

But now that Kosovo has been restored to Serbia – "to its rightful place" – Mr Milosevic plans to "revitalise" every Serbian monument

According to an official, if not highly suspect, historical pamphlet compiled by the Republican Committee for Information of Serbia, plans are afoot to renovate Orthodox churches and monasteries and museums in Kosovo and in other parts of Serbia.

During the next few weeks, the Serbian Academy of Science, a virtual Milosevic mouthpiece, will pursue what is termed "a scientific and critical approach" to the history of Kosovo. Belgrade Television will broadcast numerous programmes about Kosovo. No time or money will be spared to put the historical record straight.

Non-Serbs are aghast by this spectacle and outpouring of nationalism; Serbs are delighted. Emigres who left 40 years ago are returning. Some listen to Mr Markovic's plans to open up the economy. But deep down, they want to hear "Slobo".

"At long last, someone is speaking up for us," a wealthy Serb now living in Los Angeles commented. "I don't care about what the Croats or the Slovenes think. Good old Milosevic. Making Serbia great again. . ." So much for all the attempts by the late President Tito to keep the genie of nationalism locked away.

Warning on high-tech markets

By Alan Cane

MR JACQUES STERN, chairman of Groupe Bull of France and the European computer industry's elder statesman, has warned of an urgent need to strengthen and unify Europe's fragmented market for computer and telecommunications systems.

In a world where information had become industry's most important resource, failure to take the problem seriously was placing at risk the economies of every European country, he said. "Governments must learn to look at the future of information technology in Europe in the same way that they look at defence," he said.

Speaking in London last week, he drew on analogies with aerospace and nuclear physics to urge community ministers to establish a supranational body to oversee the harmonisation of telecommunications strategies throughout Europe.

He argued that European computer manufacturers should sink their differences in *a community-wide industrial* strategy designed to develop standard products which would find ready acceptance among European customers.

Such collaboration, he suggested, should go well beyond the co-operation in pre-competitive research already encouraged by European Commission initiatives like Esprit and Race.

Mr Stern's comments articulate a growing conviction among industrialists and politicians that a larger, healthier market for information technology (IT) products in Europe would help solve major problems such as the relative weakness of European computer companies compared to their US and Japanese competitors, and the failure of many European companies to exploit IT properly.

The single European market after 1992 would be driven by information, Mr Stern said, but US companies were well ahead in the use of information technology. They spend some 6.5 per cent of GNP on computer systems, compared with only 4.5 per cent by their European competitors.

He said two factors had changed computer manufacturers' ideas of their ability to collaborate with each other. First, the success of schemes like Esprit. Second, the development of industry-wide standards for computer hardware and software which had effectively rendered obsolete proprietary computer designs and forced manufacturers to think of other ways of adding value

Mr Stern poured scorn on the more pessimistic perceptions of Europe after 1992.

Confident Craxi refuses to be rushed

By John Wyles in Rome

MR BETTINO Craxi, the man who has held most of the political aces in ***Italian politics*** **this decade, yesterday appeared supremely confident that events in China and the European elections would both conspire to help him impose his Socialist Party's terms in negotiations to end Italy's three week old political crisis.**

But he made it clear to foreign correspondents yesterday that no negotiations on forming a new governing coalition with the Christian Democrats and the smaller minority parties could begin until after the June 18 Euro poll.

Thus President Francesco *Cossiga will have to use still* more time-consuming ingenuity to fill the seven days from this Saturday, when Mr Giovanni Spadolini, the President of the Senate, is expected finally to complete his exploratory remit.

Italy's first non-Christian Democrat prime minister between 1981-82, the Republican Mr Spadolini, has employed the two weeks creatively, and with weighty dignity, filling the political void opened up by the resignation of the government led by Christian Democrat Mr Ciriaco De Mita just one month before the European elections.

The Chinese crisis, in the wake of reforms in eastern Europe and the Soviet Union, is clearly becoming a crisis for communism in Italy. Communist leader Mr Achille *Occhetto is struggling* to shelter his party from the impression that communism is bankrupt as a political model.

Mr Craxi was yesterday at pains to prepare his fellow-countrymen for a bruising clash over political reform.

He maintained that no-one could be enthusiastic about the performance of Italian governments under Christian Democrat leadership in the past two years and that neither the DC nor the other parties could rightly deny the Italian people the right to pronounce on his proposal that the country should have a directly elected president.

This suggests that Mr Craxi will hold out for an agreement to introduce a consultative referendum system which would allow the question of a popularly-elected president to be put. If the reform were adopted, no prizes are given in Italy for guessing who would be the first candidate in such an election.

Decision on Bagnoli deferred

By William Dawkins in Brussels

A LONG-AWAITED decision on the future of the threatened Bagnoli steel smelter near Naples was yesterday deferred by the European Commission.

The Brussels authorities will now decide later this month whether to sanction the Italian Government's demands for a reprieve for the Bagnoli furnace. It was originally scheduled to close on June 30, with the loss of 2,000 jobs in an area already suffering high unemployment.

The closure is the main EC condition for a L5,198bn (£2.3bn) government rescue plan for Ilva, its state-owned steel industry. This cannot go ahead until Bagnoli's future is settled.

The Commission yesterday agreed to a delay on the grounds that last months' collapse of the Government made it impossible for the Rome authorities to respond. This should be easier after the European elections on June 18, which should help Italian political parties to start work on a new coalition.

Rome wanted to delay Bagnoli's closure for a year until next June on the grounds that steel demand is unusually strong and the smelter is working at high output. However, Sir Leon Brittan, the Competition Commissioner, wants Bagnoli closed by next March, a view shared by most of his colleagues.

Uncertain future for Swedish sub-contractors

By Robert Taylor in Stockholm

SWEDEN'S sub-contracting companies will face serious difficulties as the country's larger companies move their manufacturing inside the European Community because of the 1992 internal market plan, says a report published yesterday.

The report by the research organisation Statensindustrivverk argues that this trend poses a threat to an important part of Swedish small and medium-sized industry.

It estimates that about a third of the manufacturing companies employing between 20 and 200 workers are sub-contractors for the larger companies on whom they are dependent for success.

It argues that the sub-contracting companies will have to strengthen their competitive position by becoming more cost-effective and flexible in meeting demands.

This will require greater co-operation between companies and the provision of much more information being available for them on the activities of sub-contractors abroad.

Yesterday's report also argues that Sweden's basic industries stand to gain from EC integration as long as they do not face any trade discrimination from the Community.

But it warns that Sweden will suffer if it has to go along with future EC measures designed to restrict third-country imports.

The study suggests that EC companies will bring much more aggressive competition into Sweden's relatively stable home market, with a possible negative effect on Swedish industry – particularly in telecommunications equipment, data machinery, pharmaceutical products and transport.

Strong growth in demand for long-range airliners is forecast

By Paul Betts in Paris

DEMAND IS expected to continue to grow strongly in the civil aviation market during the next 15 years, especially for larger, longer range aircraft. But most of the new aircraft to meet this demand are likely to be derivatives of existing models although in the longer term a second generation supersonic airliner could be developed.

On the eve of the Paris air show, **Mr Larry Clarkson**, a senior vice president in Boeing's commercial aircraft division, forecast that $516bn of aircraft would be delivered between now and 2005. Speaking on the second day of the Financial Times conference on Commercial Aviation and Aerospace, he said Boeing expected that larger aircraft would account for almost half the value of deliveries from 1996 onwards.

He said Boeing was increasing its production rates to respond to "tremendous international demand". Boeing airliner production would rise from 27 a month to 34 a month by the middle of next year.

Mr Lou Harrington, vice president and general manager of McDonnell Douglas's MD-11/DC-10 operations, said world passenger traffic was expected to grow at a compound rate of 5.7 per cent a year between now and 2002 and that international traffic was expected to show a particularly sharp expansion. This would lead to heavy demand for long range aircraft with seating capacity of between 200 and 600 seats.

But he argued that derivatives of current aircraft would dominate the marketplace in the next 15 years. "Based on our assessment of the technology trends and current forecasts of future fuel costs, we are unable to justify an all-new aircraft against derivatives," he said.

However, the European Airbus consortium is banking on brand new products including the recently-launched advanced 150-passenger A-320 and its 180- seater A-321 stretched version as well as the future high-capacity and long range A-330/ A-340 due to enter

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COMMERCIAL AVIATION AND AEROSPACE

into service in 1992 to reinforce its position in the world market. **Mr Adam Brown**, vice president for strategy at Airbus Industrie, said Airbus would be celebrating at this week's Paris air show the delivery of the consortium's 500th aircraft.

He said present plans called for a progressive increase in Airbus production to around 20 aircraft per month by mid 1990. "Our projections show that 10 years from now about one quarter of the western world's fleet of large and medium sized airliners will be of Airbus manufacture," he claimed. Airbus, *he added, now needed to* consolidate its technical and marketing success into an economic success. He suggested that the tendency was now running strongly towards privatisation at Airbus. "Our British partner has been completely privatised; well-publicised moves are under way to take our German partner into private ownership; and the chairman of our French partner indicates publicly that there is no statutory requirement for such a high degree of state ownership as currently exists on the French side," he said.

Airbus partners now wanted to see the European venture achieve overall profitability at some point in the mid 1990s, although Mr Brown said this would clearly depend significantly on the evolution of the US dollar exchange rate.

"If this succeeds, the streamlined and profit-oriented structure can then perhaps be used as a framework for the existing partners, and perhaps new ones, to tackle the next great challenge for the civil aircraft *manufacturing industry,*" he said. Mr Brown suggested this could involve a 1,000-plus seat derivative of existing large aircraft or a second generation supersonic airliner.

Mr Louis Williams, assistant director of aeronautics at Nasa, said a second generation supersonic airliner was a possibility, but it would probably not arrive by the year 2000.

A new supersonic airliner would face a difficult challenge in competing economically not only with existing subsonic aircraft but with more highly developed derivatives. Mr Williams *suggested* that competition would be made even tougher by higher fuel prices, fare reductions as a result of deregulation, and heightened environmental concerns.

Another potentially revolutionary development in the aviation industry is the development of a civil tiltrotor aircraft. This is an aircraft which takes off like a helicopter and then operates like an ordinary fixed wing aircraft. Bell Helicopter Textron and Boeing have jointly developed *a military tiltrotor aircraft* for the US armed forces known as the V-22 Osprey.

Mr Jim Schwalbe, director of the programme, said tiltrotors could open a new era in civil aviation by providing speed in the air but demanding little space on the ground. He said the V-22 programme developed with the support of the US defence department would form the core of technology for a series of civil derivatives. Bell-Boeing has already established European partnerships with British Aerospace, Aeritalia, and Dornier to study future civil tiltrotor aircraft.

Partnerships were also a growing key to success in the aviation business, Mr Brian Rowe, senior vice president at GE Aircraft Engines, said. "It is my observation of the way the world and aviation is moving that only large, multinational businesses working in partnership with highly focused niche players will survive. That's the reason we are seeing a frenzy of joint ventures, partnerships, alliance formations," he said.

Poisoned economic chalice awaits victors of Greek election

Whoever wins, the country's enormous public sector deficits will have to be tackled, writes **Andriana Ierodiaconou**

THERE ARE no prizes to be won for guessing Greek industry's favourite in the June 18 general election. When Mr Andreas Papandreou, the Socialist Prime Minister, walked into the Federation of Greek Industries (SEB) annual assembly recently, the applause was merely polite.

By contrast the Conservative *opposition leader, Mr Constan*tine Mitsotakis, received a standing ovation.

Both leaders assured the SEB that their first task in the event of being elected would be to tackle Greece's massive public sector deficits, identified by the latest Bank of Greece annual report as the economy's principal problem.

But Mr Papandreou's promises lacked credibility. Only the previous month he had delighted a Socialist election rally with the slogan "Tsovola, give it all away" – an injunc*tion to Mr Dimitris Tsovolas*, the Finance Minister, regarded by economic observers as incompatible with a determination to reduce the deficits.

The figures speak for themselves. This year's budget deficit is officially predicted to reach a record Dr1.392 trillion (million million), or about £5.2bn. This figure will be overshot: the imminent election has meant thousands of extra public sector appointments, representing a naked bid for *votes, as well as a relaxation of* the official incomes policy target for real wage increases of 2-3 per cent in 1989.

It is estimated that by the end of the year Greece's public sector debt will exceed 100 per cent of gross domestic product.

The net Public Sector Borrowing Requirement (PSBR), which fell from 17.9 per cent of GDP to 13.6 per cent between 1985 and 1987, is expected to climb back up to at least 18 per cent this year.

In retrospect, it is admitted that the PSBR improvement between 1985 and 1987 owed less to the Socialists' two-year economic stabilisation programme than to external factors such as the substantial drop in international oil prices.

The programme was applied to ward off a foreign lending freeze, but economists now agree that it was not stringent enough on the domestic deficit front.

According to the Bank of Greece report, failure to tackle the deficits could lead to a new surge in *inflation* – predictions for 1989 range from 14 per cent to 18 per cent – and reverse the improvement in the balance of payments achieved by the stabilisation programme.

Mr Yiannis Palaiokrassas, Economy Minister in the Conservative New Democracy (ND) Government displaced by the Socialists in 1981, said in an interview that: "Unless there is a clear cut majority for the Conservatives on June 18, the economy will explode."

New Democracy is running a clear first in opinion polls. Because of the vagaries of the Greek electoral system, however, there is a possibility that it may fail to secure a viable majority in the 300-member Parliament even if it wins in terms of votes.

Mr Palaiokrassas admitted that the Conservatives, too, had followed a policy of public sector expansion in the pre-1981 period. But he added wryly: "The most important lesson we have learned in eight *years in opposition is the cata*strophic effects of this."

The Conservatives avoid blaming Mr Papandreou's social welfare policies for Greece's deficit problems, and argue that they can boost revenues and reduce expenditures through a combination of tax reforms and measures which would curtail the public sector while leaving existing jobs and benefits untouched.

These measures will include the selective privatisation of public sector services and the sale of ailing industries taken over by the state under a costly "rescue" programme introduced by the Socialists in 1983, which is still a multibillion drachma annual drain on the budget. Expenditures regarded as luxuries will be eliminated.

Not least, the Conservatives say their administration will be free of the financial scandals which have marred the Socialists' period in office, of which the *one involving former banker* and press baron Mr George Koskotas is the most notorious.

Mr Palaiokrassas claims to have a list of 55 cases of financial mismanagement, which he estimates have cost the state some Dr650bn.

Mr Stelios Argyros, SEB's president, says he is confident that the election results, even if inconclusive, will not drastically affect the economy. He argues that one spin-off of the 1992 process is that the economy is becoming gradually independent of Greek politics.

"Foreign businessmen regard the Greek economy positively and believe that the nineties will be a decade of rapid development," Mr Argyros said.

"Besides, if politicians don't modernize, the economy will leave them behind." Foreign bankers in Athens also for the most part decline to take a catastrophic view of the economy.

They point to the post-stabilization recovery in business profits and investments as well as to the past three years' spectacular improvement in the balance of payments.

From a record $3.3 bn in 1985 the current account deficit fell to $957m last year. Thanks to a massive increase in private capital inflows in the same period, foreign exchange reserves rose from $1.73bn to $4.59 bn.

The positive balance of payments trends are continuing in 1989. "All factors are going well except for the public deficit. The situation is not under control but not as bad as anticipated. If Greece were to pull out of the EC then we would have a disaster on the scale of Brazil or Argentina, but as it is, I believe an improvement of the Greek economy is under way," one foreign banker commented.

Others, however, including politicians like Mr Palaiokrassas who might well soon find themselves in the government hot seat, are not so sanguine.

"We are at the point at which the public debt has grown so much that in 1989 servicing costs will consume 44 per cent of tax revenue. By 1992 the debt will reach Dr10 trillion, and servicing it will absorb 53 per cent of the tax revenue. In addition, 75 per cent of the budget expenditures are inelastic. If we don't succeed in activating the private sector and restoring rates of development of 4 or 5 per cent there is no solution to our economic problem," he said.

In terms of the Greek economy at least, the day after the June 18 election could prove more difficult for the victors than the defeated.

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Commission delays data transmission service

By Hugo Dixon

AN AMBITIOUS scheme by 22 of Europe's public telecommunications operators (PTOs) to provide a unified service for transmitting data across the region has been delayed for at least a year because of objections from the European Commission that it could amount to a cartel.

Doubts within the consortium, particularly by British Telecom, could mean the service does not get off the ground at all.

The scheme, which would involve setting up a joint venture company called Managed Data Network Services MDNS), is designed to remedy Europe's poor record in the fast-growing market for data communications which are considered vital in modern business.

It is estimated that 30 per cent of data transmitted across frontiers in Europe does not reach its destination because of technical failures.

Companies wishing to make use of pan-European data services also face the administrative hassle of having to deal with a different PTO in each country where they wish to operate.

These are considered to be significant obstacles to the Commission's programme for knitting together Europe's fragmented economies.

MDNS would aim to overcome both the technical and bureaucratic problems. Customers would be able to buy their data communications services from a single point instead of having to approach a multitude of PTOs.

However, MDNS also intended to offer special enhanced communications services called value-added services. This would pit it against private operators such as IBM, the world's largest computer maker, and EDS, the telecommunications subsidiary of General Motors, which offer a variety of special data services.

It was this aspect of the scheme which worried the European Commission. It fears the PTOs will stifle competition by clubbing together and might deny private operators access to their networks on fair terms.

The Commission therefore told the PTOs earlier this year to come up with a new scheme that met its concerns. It is keen they should provide a better basic data communications service but does not want co-operation to stray into the competitive area of value-added services.

As a result, the public operators have had to delay the launch of their service from early this year to early next

"We are trying to adjust product specifications so that we will not be contradicting the Treaty (of Rome)," said Mr Jorgen Pedersen, who chairs the *MDNS* working group.

However, doubts among some PTOs about the commercial logic of the scheme mean it may not be launched even then. BT, for example, thinks that it may be able to win a larger share of Europe's data communications business if it goes its own way rather than club together with its counterparts in other countries.

New proposals on freedom of domicile

By William Dawkins in Brussels

FRESH PLANS to guarantee students, pensioners and other non-wage-earners the right to study and live freely in other EC member states were tabled yesterday by the European Commission.

The three proposals, prepared by Mr Martin Bangemann, the Internal Market and Industry Commissioner, aim to break a *10-year deadlock* between European governments. Continued wrangling provoked Mr Bangemann, using a rare tactic, to withdraw the original plan last month.

The old approach consisted of a single draft directive covering all three categories of people and requiring governments' unanimous support. Importantly, two of the new proposals – covering students and pensioners – will only need a qualified majority to take effect. This is thanks to new voting rules in the Single European Act, astutely exploited by Mr Bangemann.

The final proposal, covering other economically inactive people, will still need governments' unanimous acceptance.

Students can only go to foreign EC universities if they have national or private health assurance and can only draw social security abroad if their own governments pay, the Commission is proposing.

Retired people must prove they receive a pension or other income to get right of foreign residence. Other non-wage-earners must take out health insurance and give proof that they can support themselves.

EUROPEAN ELECTIONS

The Grand Duchy wakes up to reality

AN AIR OF disenchantment with Europe hangs over Luxembourg.

Voters canvassed by the main parties in this month's election campaign appear worried, confused and even angry at the implications for the Grand Duchy of closer European Community integration.

Even a few months ago it would have seemed extraordinary to say this about the EC's tiniest country. Luxembourg is one of the six founding member states, the seat of several EC institutions, and a generally unswerving supporter of policies promoted by the European Commission.

Recently, however, Luxembourg has woken up to the fact that not all developments in the enlarged EC are necessarily to its liking.

The plan to impose a withholding tax on bank interest and the attack on Luxembourg's prized banking secrecy laws appear to have been headed off – but the hard fact is that this happened largely because other, more powerful

Tim Dickson reports on the anxieties influencing Luxembourg voters

nations such as West Germany changed their minds, not because anybody was being sympathetic to the Luxembourg point of view.

The subtle EC campaign to uproot the European Parliament secretariat and move it from Luxembourg to Brussels is observed with equal alarm – another sign perhaps of the Grand Duchy's waning influence in a Community of 12.

All the main parties reflect these anxieties in their manifestos and they make similar noises about fighting the Luxembourg corner when other EC challenges arise. But with national elections timed to take place on the same day (June 18), even the deep and complex passions aroused by Europe have been overshadowed by local concerns.

The six Euro-seats in the single Luxembourg constituency are certain to be divided among the Christian Social party (which holds three), the Socialist Party (2) and the opposition Liberals (1), which could conceivably pick up a seat from the Social Christians.

There is thus much more excitement and uncertainty about the outcome of the national campaign.

Luxembourg has a long tradition of consensus coalition government perming any two of these three main parties. Prime Minister Jacques Santer's administration is a centre-left combination of his own Social Christians and the Socialists, but the speculation this month is that the broadly free market and free thinking Liberals could come back with the Socialists after June 18.

The Socialists have been waging a highly personalised campaign based on the achievements of its leader, the Foreign and Finance Minister, Mr Jacques Poos.

He has barely disguised his ambition to become Premier, but whether he will be able to ditch his present coalition partners in favour of the Liberals depends on how people cast their votes on the day.

The outcome will be complicated by the fact that all three big parties are likely to lose support in the Chamber of Deputies. The number of seats in the Grand Duchy has been reduced from 64 to 60 (reflecting the shrinking local population), several small parties can be expected to do well.

These include the Cinq Sixieme, a one-issue party formed to campaign for equal treatment between private and public sector pensions; and a new National party which is anxious about what it sees as the dilution of the Luxembourger identity.

(Around 27 per cent of the population is foreign, and the number of guest workers from neighbouring countries has reached 25,000.)

The Green movement – there are two Green parties for a country no bigger than a typical English county – is also expected to make gains and has forced its establishment rivals to parade their environmental concerns.

New alliances begin to take shape in Parliament

Tim Dickson foresees some jostling for fresh chairs in Strasbourg when the music stops on June 18

EXCEPT FOR a handful of free spirited independents, MEPs newly elected in next week's voting will quickly align themselves to one of the rival political groups in the European Parliament.

Indeed, if recent shenanigans on the centre-right are anything to go by, this process could prove more entertaining than the so far somewhat colourless election campaign.

The official blocs, which range from the Rainbow group coalition of leftist parties like the Greens at one extreme to the European Right at the other, bring together across national boundaries individuals with a broadly similar political outlook and a willingness to work and vote together on the main issues.

They are not, however, nearly as cohesive or disciplined as national political parties. There is no effective whipping system, for example, to bring dissident members into line, while the conventional left/right distinction which delineates the bulk of the eight existing political groups is just one of several fissures which run through the 518-strong assembly.

Cross-party regional and national alliances, for instance, often play a big role when it comes to voting.

The looseness of formal political allegiances at Strasbourg may be unsurprising but it remains a serious practical handicap for the European Parliament as it grapples with the new constitutional powers – its right to amend internal market legislation and to block EC treaties with foreign governments, for example – which were conferred by the 1987 Single European Act.

There is, after all, no "natural majority" in the Parliament. In theory, there is currently a 25-seat majority on the centre-right, but in practice, the idea of, say, the anti-federal rump of British Tory MEPs consistently making common cause with centrist, and enthusiastically federalist, Catholic Christian Democrats in the European People's Party (EPP) is a shade far fetched.

Close Strasbourg watchers have nevertheless detected a greater spirit of co-operation between Mr Egon Klepsch and Mr Rudi Arndt, the powerful party bosses of the two biggest groups, the EPP and the Socialists.

Both are West Germans, and one of the more intriguing rumours at the moment is that they have struck a deal which would effectively give their parties the power to ensure the election of the two presidents of the Parliament who will hold office over the next five years.

The rules of the European Parliament lay down that at least 23 members from a single member state are required to form a group. Eighteen is sufficient if they come from two member states, or 12 if they come from three countries.

There are also carefully laid down procedures for allocating funds, which are based among other things on the number of nationalities that are represented in a group and the number of languages they speak. Only limited financial support is available to those who choose to remain independent.

Other advantages of being in a group are the wider opportunity it affords for members to speak in debates, and the chance to chair committees and write the many voluminous reports on which the Parliament's opinions and amendments are based (the job of the so-called rapporteur). All these spoils are carved up in proportion to the size of the respective groups.

At this stage of the game no one

Close Strasbourg watchers have detected a greater spirit of co-operation between the powerful party bosses of the two biggest groups, the EPP and the Socialists

knows if any existing groups will fall apart or whether new ones will be added. What is certain is that the diversity which marks the current Parliament – there are 79 different national political parties represented at the moment – will be a feature of the next assembly.

The Rainbow group, for example, looks like being a significant beneficiary of the "green" wave sweeping Europe. At the moment its 20 members include an 11-strong core belonging to the Green Radical Alternative European Link (Grael), but with new seats likely to be added in France, West Germany, Italy, Belgium and the Netherlands, some enthusiasts believe the Green tally could be close to 30 after the election on June 18.

Assuming they hold on to their nine existing allies, which include some rather odd bedfellows like the Flemish nationalist, and in most ways right-wing Volksunie, they are certain to be an important force next time round.

By contrast the Communists (with their allies they currently hold 48 seats) look likely to fare poorly. The French Communist intake fell from 19 to 10 between 1979 and 1984, the Italians dropped from 29 to 26, and no one is betting that the downward trend will not continue this time.

The Socialists, meanwhile, are not only the largest with 166 seats, but the most widely spread grouping in the Parliament, lacking only an Irish presence because of the way the Irish Labour party is squeezed in Euro-elections by the country's main nationalist political parties.

At the same time, however, nine working languages mean that co-ordination is difficult and internal splits are not confined to the frequently publicised rows between the pro- and anti-common market factions of the British Labour party.

The Christian Democrat EPP is the other big grouping with 113 members at present, and looks set to capture the Spanish Conservatives (the Partido Popular) after their long anticipated decision last month to break away from the British Conservative-dominated European Democratic Group (EDG).

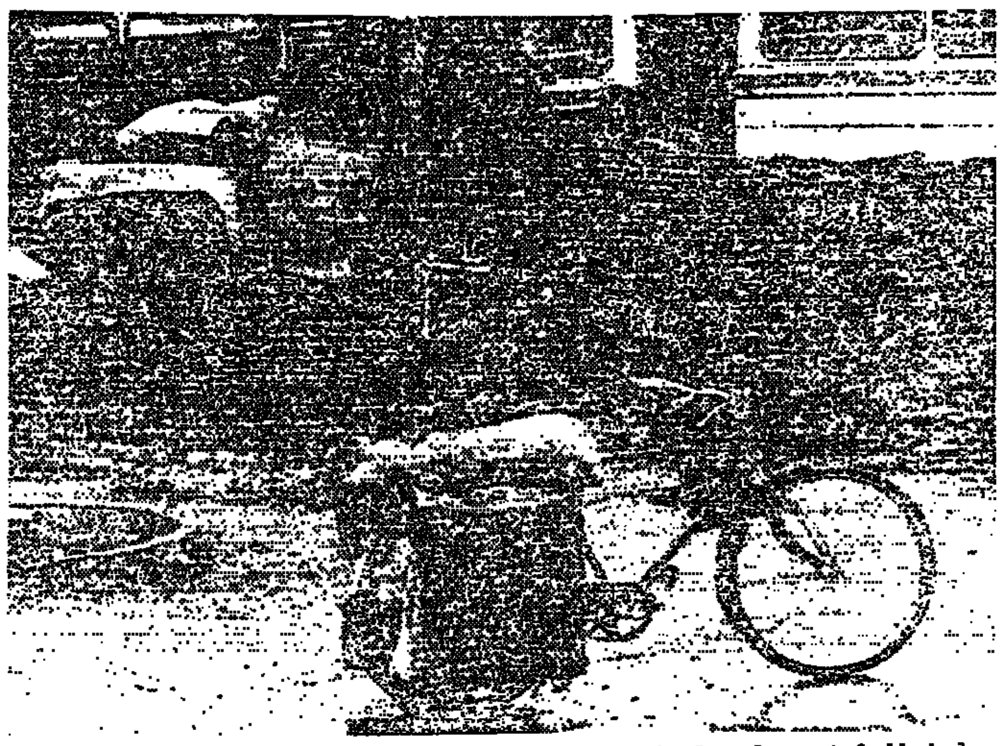
A question mark still hangs, however, over the participation of the the two rival French lists led by the former President, Mr Valéry Giscard d'Estaing, and the ex-president of the Parliament, Mrs Simone Veil.

The Liberals, who hold 46 seats, are an international, highly European group comprising both the Continental variety like the Dutch party (namely Conservative on economic issues), as well as the more free-thinking variety for whom social issues are paramount.

It is hard to imagine all 45 British Conservative MEPs being returned to Strasbourg, but their problems will certainly not end there. Shorn of their Spanish allies, as well as perhaps one or two of their four remaining Danish colleagues, the question is what, if anything, they will collectively do. One idea being floated is that they might hope to increase their influence on the right by spreading themselves around a number of other groups.

There is little cement in the European Democratic Alliance (29 Gaullists and Irish Fianna Fail), save for a somewhat loose idea that national sovereignty should not be easily surrendered. There is some speculation that the French RPR could join the British Tories in a new group, in which case their former Irish political partners would be looking for a new home.

Finally, there is the European Right – 16 last time (of which 10 are French) but vulnerable to the apparently fading appeal of Mr Jean Marie Le Pen, the French National Front leader. On the other hand, the surprisingly strong support for the West German extreme right could make good some of this loss.



Peking resident takes supplies home. passing a burned-out army truck used as part of a blockade

Economic inequalities test power of centre

Colina MacDougall asks how long the Chinese Communist Party's dynasty can last

CHINA is a vast country which in times of energetic dynastic rule from the centre has held together and in weakness has begun to break up. Even last year, the troubles in Tibet plus the restlessness among economically independent provinces like Guangdong in the south, had led some Chinese intellectuals to wonder if the Communist Party's dynasty was cracking.

In its early years of power, the party tried to control the country by a strong network of branches in every organisation, under a single-minded leadership in Peking. This system was shattered in the Cultural Revolution, and though rebuilt, the party members are as corrupt and as keen on money as anyone else.

Behind the party stands the army. As this week's crunch has shown, in the last resort the party leadership can call on military units to enforce its policy. But because of the way they are based in separate geographical areas, the army is not united and senior generals owe loyalty to senior party members and expect rewards in return.

This system is complicated by the different factions that exist even among hard-liners in the leadership, but it is clear from the latest events that supreme leader Deng Xiaoping has the loyalty of tough divisions who will implement unpopular policies.

This he does by playing off one group against another and rewarding allies with goodies - when he appointed Yang Shangkun, former chief of staff, as President, he must have recognised that he might need his battalions.

Though the army has taken a back seat in recent years, allegedly because it wished to leave politics to the politicians and concentrate on professional soldiering, it has clearly retained a vital role in the balance of power. Even in normal times, the commanders of China's seven Military Regions are key personnel - these regions cover several provinces so their territory far exceeds that of provincial party secretaries or governors. But the role they play in power politics is shrouded in mystery.

In the last couple of years China has been fragmenting economically in a way which the army seemed unlikely to be able to affect. Guangdong, adjoining Hong Kong, has benefited enormously from that proximity, has attracted millions of dollars worth of investment, has the highest standard of living in China and is quite ready to tell Peking to push off if it tries to interfere with its economic administration.

Jiangsu province, in east China, has gone down the same road, though it has not become quite so rich or independent. So have other prospering provinces, mainly along the eastern seaboard.

The inter-provincial squabbling has not been about political power but about truckloads of silkworm cocoons, trainloads of coal and other necessary commodities.

There was no real sign that anyone in Peking was particularly concerned about this development until inflation started to bite last year. Then, when Premier Li Peng slapped on price controls and a freeze on credit last autumn, it was to batten down the economy, not to put the clamps on recalcitrant provincial leaders.

Whatever the army has done in Peking to re-establish control, and whatever measures it takes in the localities where disturbances have been reported this past week, many provinces are still sliding away from Peking's control because they have a big measure of financial independence.

It remains to be seen, when the smoke clears in Peking, whether the repressive leadership which now seems to be gaining control will allow this situation to continue. But economic reform requires a measure of local independence, and even the hard-liners want China to become rich and powerful.

While the army may be at hand to impose Deng's will for the moment, in the longer run the economic imperatives may of necessity slacken the bonds to Peking. In that case, it seems inevitable that the demand for political reform will follow again and perhaps when China's old guard have moved on, be more successful.

Hong Kong nervously eyes volatile streets

Fear of riots and worry over Peking's reaction haunt the colony, writes John Elliot

HONG KONG is beginning to face up to the implications of its new, politicised role as a centre of opposition to China's hardline regime and army atrocities, which have prompted three Sundays of street demonstrations each involving more than 500,000 people plus a day of strikes and mourning yesterday for the Peking dead.

The most immediate concern is the possibility of riots, following a street battle early yesterday morning. The peaceful demonstrations of the last few weeks exploded in Hong Kong's Kowloon area when as many as 7,000 people clashed with police.

There is also worry about how Peking will react to Hong Kong, due to revert to Chinese sovereignty in 1997, becoming a centre for anti-government demonstrations. This is quite different from its traditional and more docile role as China's main financial and trading window on the world.

"Peking must see us now as a counter-revolutionary base because of our marches, the HK$25m or more collected for the Peking students, and the way people are faxing news of the army action into China," says Mr Vincent Lo, a successful young Hong Kong entrepreneur who runs the Shui On property and construction companies and convenes the businessmen's Group of 89.

"Deng Xiaoping has always made it clear Hong Kong could do its own thing economically after 1997 providing it did not upset things inside China," he says. "What will the leaders there think now about our role? What will China think of a place that has had up to 1m on the streets the last three Sundays?"

This uncertainty is compounded by a lack of political leadership in Hong Kong exactly when leadership is needed, both to handle present events and to ease the colony into democratisation. The problem has been apparent for some time, but has suddenly become important because there is no single person in the colony who captures general public respect.

Neither Sir David Wilson, the governor, nor Sir David Ford, the chief secretary, nor any leading members of the executive and legislative councils have significant public followings. The most charismatic man on the scene. Mr Martin Lee, a leading liberal campaigner, is too extreme for universal acceptance, although he would almost certainly win a popular vote taken tomorrow.

The two Sir Davids are too closely identified with the UK. Their leadership potential has has been reduced as Britain's standing has waned. Britain's failure to deliver on the problem of Hong Kong's Vietnamese boat people, on the allocation of British passports, and on sharing Hong Kong's defence costs have reduced the limited authority of Sir David Wilson, a respected British diplomat-cum-academic with no previous political experience.

Riots have always been feared by Hong Kong's administrators. The colony is a volatile community of people who devote their lives to making money, live on their nerves, and can overreact to crises. The influence of gangster Triad groups is widespread, and a generation of about 500,000 tough Chinese immigrants of the 1970s lives in Kowloon and is prone to street violence.

These people are believed to have been behind yesterday morning's riot. At about 2am in the Yau Ma Tei and Mon Kok areas of Kowloon, they turned an orderly march and "drive slow" by trucks and vans into a riot in the same way that they turned a taxi drivers' fare increase protest into the colony's last street eruption in 1984.

Such events are particularly destabilising because of the nearby Chinese border. Yesterday posters and pamphlets appeared around Hong Kong saying that 3,000 people had infiltrated the colony to undermine the peaceful democracy demonstrations. Some were sent by fax machine to offices under the name of Hong Kong's Wanchai Police Station. "These are spurious documents. Ignore them completely. Wanchai police station has no fax machine," said a senior police official.

The risk is that Peking may grow determined not to give way on the concessions regarding Hong Kong's future which the British government and Hong Kong people will now demand. These centre on changing the 1984 Sino-British Joint Decelaration and Hong Kong's post-1997 Basic Law which is now being drafted.

As Peking's elderly leaders will remember, it was in Hong Kong and the nearby Portuguese enclave of Macao that Dr Sun Yat-sen, the father of modern China, did some of the plotting of the 1911 revolution which ousted China's corrupt and decadent Qing Dynasty.

Qiao may emerge as leader

By Robert Thomson in Peking and Colina MacDougall in London

QIAO SHI, China's so-called Top Cop, appears to have been the one to benefit most from the carnage at the weekend and from the Communist Party power struggle. Yesterday he was mentioned ahead of the rest of the politburo, and may therefore have taken over from the reformist Zhao Ziyang as party general secretary. He is the least known in a little known hardline leadership.

Qiao Shi: career communist

The 65-year-old career communist, who has overseen internal and external security operations for almost a decade, is a member of the politburo standing committee and was said to have had ties with both Zhao Ziyang, the party chief he could well replace, and Deng Xiaoping, the paramount leader.

Rarely interviewed by foreigners, he belied his image as China's Beria when he met a western journalist last year dressed in a white suit, smiling affably. Like all China's senior leaders, he has children abroad — Qiao Junior is studying at Cambridge, and Junior's wife works for the BBC Chinese programme.

His background is ideologically correct. Having joined the party at 16 while still at high school, he later spent eight years working in steel mills.

He was purged during the cultural revolution, which began in 1966, and emerged in 1977 as a deputy director at the international liaison department.

Five years later, he became director of the central international liaison department, a notoriously conservative bureau responsible for intelligence work, and generally inclined to exaggerate internal and external threats for the sake of increasing its own political importance.

In September 1982, Qiao became a central committee member, and shortly after, took control of the party's general office, which is responsible for the secret service work within the party.

In 1984, he headed the organisation department and became responsible for leading campaigns against bourgeois illnesses such as "unhealthy tendencies" and "spiritual pollution."

There were two diplomatic views of Qiao at this stage. He was either a liberal appointee who would reform conservative departments and replace conservative officials, or he was a conservative appointee who would ensure that the party did not go too far down the bourgeois liberal road. In light of recent events, the second interpretation is more plausible.

Foreigners who have met Qiao describe him as "smooth." He is in control of his material and reveals little in conversation though he takes pains to appear to be open-minded. A non-drinker and non-smoker, he habitually rises before six, and jogs and walks for nearly an hour, or so his official biography claims.

Hong Kong remains unimpressed

Colina MacDougall on why Sir David inspires little confidence

ON THE very day David Wilson's appointment to the governorship of Hong Kong was announced in 1987, an ominous personnel change was reported from Peking. Hu Yaobang, the reformist party general secretary, was dismissed and held responsible for the winter 1986-87 student demonstrations condemned as "bourgeois liberalism". It was Hu's death last April which triggered the protests that led to the massacres in Peking last weekend.

Sir David arrives in London today for discussions on the future of Hong Kong. With near-civil war erupting in China, voices in the British territory are demanding a renegotiation of the Sino-British Joint Declaration on Hong Kong which sets out provisions for its future after it returns to China in 1997. They are also asking for the right to settle in Britain for Hong Kong holders of British passports.

It has to be asked whether Sir David, charming and intelligent as he is, can adequately represent Hong Kong people in the tough political battles now shaping up with both the British and the Chinese governments. In the two years and more that Sir David has been governor he has not impressed Hong Kong people as a fighter.

The Joint Declaration, on which Sir David was the chief British negotiator, was a reasonable agreement, but it left much to be decided in the run-up to the handover in 1997. He has to ensure that the Basic Law, Hong Kong's mini-constitution being drawn up by a Chinese and Hong Kong team, adequately reflects the British and Hong Kong understanding of the Declaration, since it will be the territory's only protection. If this means bluntness with Peking, then so be it.

The Wilson line, like that of the Foreign Office, is that nothing is to be gained by confrontation with Peking. Britain is *aware that if China wanted the* territory, it would have no problem taking it by force. But in Hong Kong the refusal to be tough is widely seen as compromise, designed to win lucrative contracts in China for British industry.

Ashley Ashwood

Sir David at airport last night : charming and intelligent

The Hong Kong government's decision in 1988 to postpone direct elections to the Legislative Council until 1991 was seen as a confirmation of British weakness in the face of Peking's objections to the introduction of more democracy.

The majority of Legco members also were anxious not to offend China, imagining that security and influence could be won by toeing the Chinese line. It took last weekend's brutal *intervention in Peking to persuade* Legco to vote to hasten the introduction of the democratic process.

The 54-year-old Sir David should have known that toughness pays off with the Chinese leadership. Oxford and a spell in the Foreign Office led him in 1968 to work for a PhD on Chinese history and a post as editor of the scholarly China Quarterly.

He returned to the Foreign Office in 1974, spending four years from 1977 as Political Adviser in Hong Kong. From 1982 to 1984 he led the British side in the negotiations with China which led to the Joint Declaration. Much of his career has been spent close to China's power struggles.

However, the Foreign Office has consistently turned a blind eye to the dangerous potential in Peking, and run down its critical China-watching facilities accordingly. The late Sir Edward Youde, when ambassador in Peking, forbade the circulation of a political analysis newssheet produced by the British Trade Commission in Hong Kong because it conflicted with the belief that the moderates in China were in control.

Last autumn this same Commission despatched on early retirement its best China-watcher for the same reason. More than two years ago this China-watcher was predicting the downfall of party leader Zhao Ziyang and his replacement by the man who seems now to have taken over, Qiao Shi.

Sir David has supported the Foreign Office and accepted the line taken by rich Hong Kong businessmen, who until this week imagined they could continue *making millions* after 1997 if they buttered up Peking sufficiently. He has favoured - and probably helped to create - the British line that says that Peking must not be embarrassed by public conflict since more can be gained by private rather than public negotiation.

This has been seen in Hong Kong as weakness. Few in the territory have felt that he was batting hard enough on their side. It was taken amiss when last year, on the very day of the District Board elections, he shot off to Tokyo to open a department store.

Even in things non-political Sir David misses the right touch. "He has a total lack of gut feeling for the community", says one Hong Kong observer. "He didn't even come back from his trip to the States in 1987 when the stock market crashed". Perhaps the naked violence displayed in Peking last weekend will rouse him to a tougher defence of the anxious people he is supposed to represent.

PM rules out new HK agreement

By Michael Cassell

MRS THATCHER yesterday ruled out the possibility of Britain attempting to re-open negotiations on the agreement which will hand back Hong Kong to the Chinese in 1997.

The Prime Minister, speaking during a tour of Euro-constituencies in the West Midlands, said that the agreement had been negotiated and was registered with the United Nations. She added: "We are going ahead with that agreement."

Mrs Thatcher emphasised that Britain intended to continue to negotiate the Basic Laws, which had to be formulated correctly. She said that the agreed joint liaison committee, which would provide a direct link between Britain and China for three years after 1997, provided Hong Kong with an "extra reassurance."

Asked how far the British Government was prepared to go in admitting Hong Kong residents with British nationality, Mrs Thatcher said it was looking at the "maximum flexibility" under British passport laws. Later, however, she said the Government intended to use the procedures available "a little bit more generously than in the past."

She stressed she had no idea of the potential numbers which might be permitted entry into the UK but said officials were now working on proposals.

Reflecting fears that Hong Kong's administrators and businessmen might now decide to leave, undermining the colony's economy, Mrs Thatcher expressed the hope that "very influential people" and those with skills would stay on.

She said that was more likely "if they know they have a kind of possibility of coming to Britain. It is a kind of insurance policy and they are much more likely to be able to *persuade themselves to stay.*"

Hong Kong police carry away a wounded comrade last night. Before dawn yesterday, police in used batons and tear gas to break up a riot which began when youths taking part in a protest march began looting and throwing bricks and bottles. The violence, which police blamed on "hooligans", prompted activists to cancel many marches planned for later in the day. More than half the shops in Hong Kong locked their doors, food markets were at a near standstill and thousands of people marched in silence past makeshift memorials to the dead.

Sino-Soviet links worry US

By Peter Riddell, US Editor, in Washington

PRESIDENT George Bush's desire to keep open contacts with those in the Chinese leadership and army command urging restraint reflects the warnings of the US intelligence and defence community about the dangers of a growth in Soviet influence in China and *the region.*

US national security advisers are concerned that the widening public breach between the US and the present Chinese leadership over the current protests will undermine recent close relations between the two governments.

They fear this will create an *opportunity which the Soviet* Union can exploit.

In his statement on Monday, Mr Bush made a point of stressing the "vital" relationship between the US and China and their long-term "commonality" of interests.

He specifically focused his criticism on elements in the army.

There is a particular worry that the US might lose its electronic intelligence listening posts in north-west China which have provided valuable information about Soviet military, and especially missile, developments.

More generally, the US is worried about a loss of influence with China, which could affect developments throughout southern Asia from Iran, Afghanistan and Pakistan across to Cambodia.

This is happening at a time of warmer relations between the Soviet Union and China, symbolised by last month's visit by Mr Mikhail Gorbachev, the Soviet leader, to Peking.

US officials note the refusal of the Soviet Union to condemn the violent crackdown in Peking.

Urgency grows among HK residents as the options to leave dwindle

By Lucy Kellaway in Hong Kong

THEY HAVE run out of application forms at the Canadian consulate in Hong Kong. At the Australian consulate the number of inquiries from would-be emigrants has doubled since last week and is six times higher than at the beginning of the year.

On Tuesday there were 500 inquiries and yesterday the office had to be closed because a skeleton staff could not handle the flow.

Other countries, such as Singapore, Mauritius and even Belize, are gradually becoming popular. Singapore is now receiving about 100 approaches a day.

"Until last week I did not think I would leave Hong Kong, but now I have lost all my remaining confidence and I want to leave," said one woman in the crowd at the Canadian consulate yesterday.

That message is certain to be conveyed by Sir David Wilson, the Governor of Hong Kong, when he meets Mrs Margaret Thatcher today.

Whatever happens in Peking, the so called "brain drain" is likely to grow, and with it the pressure on Britain to reconsider its refusal to give passports to its 3.3m subjects based in Hong Kong.

Not all of the people wanting to leave will do so. The US, Canada and Australia, which last year accounted for 97 per cent of the 45,000 people who emigrated, are already at, or close to, their full quotas, and are becoming more choosy about the people they take.

The time lag is getting longer. At one extreme, the US is now processing applications made nine years ago.

The sense of urgency is growing. "There are too many applications. If you don't apply now you may not be able to get out," said Mr Robert Ho, a civil engineer. He has little chance of being awarded a Canadian visa as an independent, but is hoping that because as his sister has already emigrated he will be lucky.

Before the unrest in China began, the Hong Kong Government was forecasting that the number of people leaving this year will fall to 42,000, as the main consulates, which were overstretched even before the latest rush, become unable to process any more applications.

However, Mr Patrick Maule of the Hong Kong Institute of Personnel Management said it was unrealistic to expect the numbers to stabilise, as people would look to other countries to go to.

Unlike the US, which will only consider relations of US citizens, Canada and Australia are willing to grant visas to skilled professionals whose services are in demand. Since the beginning of the year these categories have become more tightly defined.

There is no longer any demand for general managers, and top secretaries who a few months ago found it easy to leave are now having difficulties.

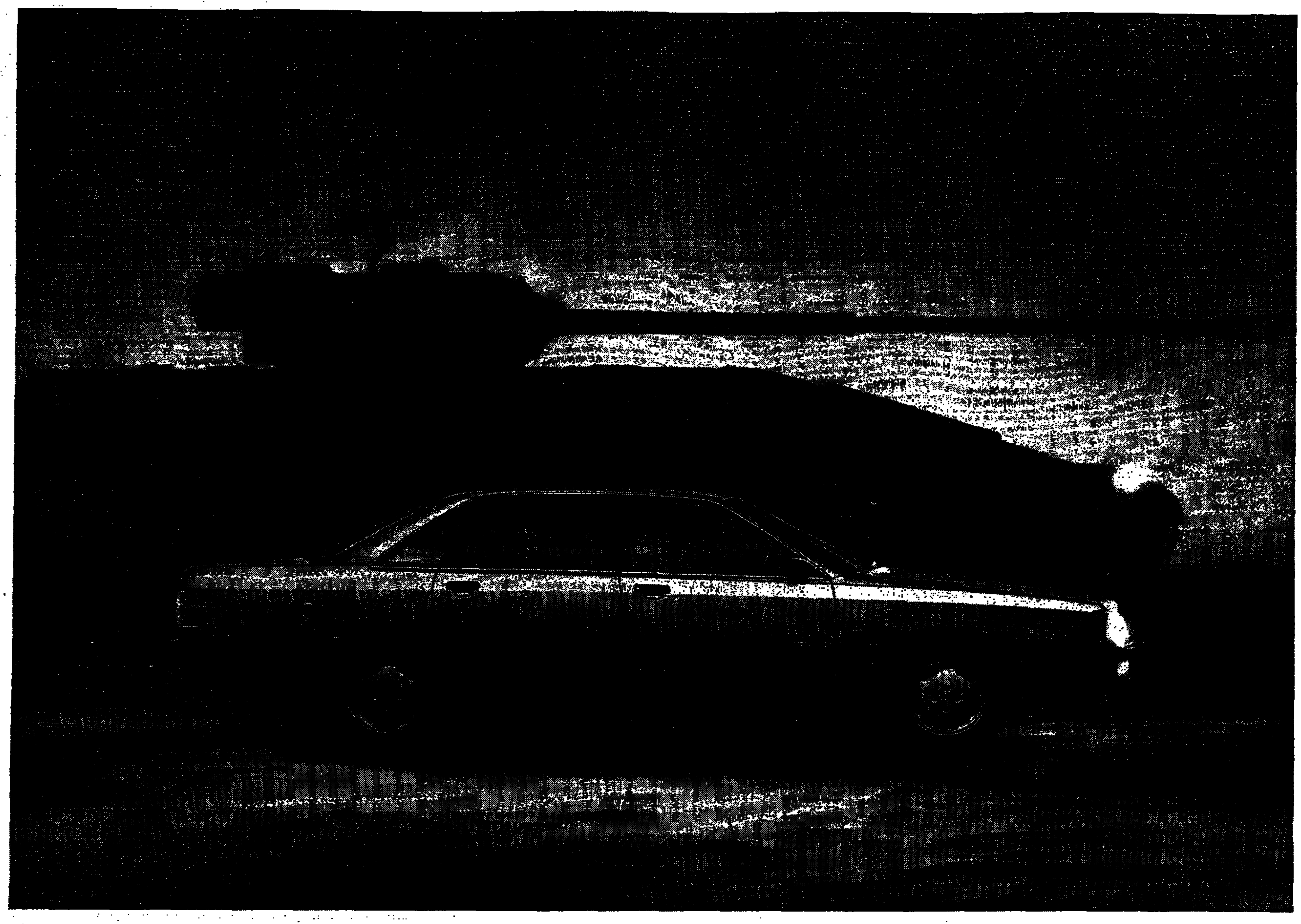
According Mr Horatio Cheung of the Hong Kong Freedom of Movement and Rights of Abode, for many of the population there is no hope of leaving.

"If you have no money, no family overseas and no qualifications you cannot go anywhere and at least 30 per cent of the population falls into that category," he said.

Until recently, most of the exodus was young skilled professionals with families, who were willing to put up with an inevitable decline in their standard of living for the safety of their children, but now single people of all ages are considering leaving.

The effect on the colony is becoming increasingly serious, both as qualified people leave and as the morale of those who stay is damaged.

Moreover, the loss of successful entrepreneurs is also imposing a strain on the economy which is 70 per cent dependent on local investors.



Troops deadline row splits India and Sri Lanka

By David Housego in New Delhi

A WIDE GULF emerged yesterday between the Indian and Sri Lanka governments over the timing of an Indian troop withdrawal from Sri Lanka.

Sri Lankan officials insisted that, under the terms of President R. Premadasa's statement last week, Indian forces would have to be out of the country by October before the summit meeting of South Asian nations in Colombo in early November.

Indian officials said there was no understanding in meetings this week with Mr Bernard Tilakaratne, the Sri Lankan foreign secretary, that the 50,000 Indian troops would leave by that date.

Indian officials confirmed for the first time that in earlier talks between the two governments a timetable had been set for an Indian withdrawal by the end of this year or early next year. They claimed Sri Lanka had been agreeable to this arrangement.

The advantage of such a timetable for India is that Indian troops would remain in the country until after the Indian general election.

The Indian government's fear is that bloodletting between Tamils and Sinhalese in the wake of an Indian withdrawal could be deeply embarrassing to Prime Minister Rajiv Gandhi before the election.

The other major point in dispute is that India wants to link troop withdrawals to devolution of power to the Tamil majority north-east provincial council.

The Sri Lankan view is that legal powers have already been devolved – though the council lacks its own source of finance and is being undermined by the government's current negotiations with the Tamil Tigers.

In public statements both sides have been anxious to gloss over the extent of the differences to prevent a further deterioration of relations. Further talks between the two governments are to take place to see whether a compromise can be found.

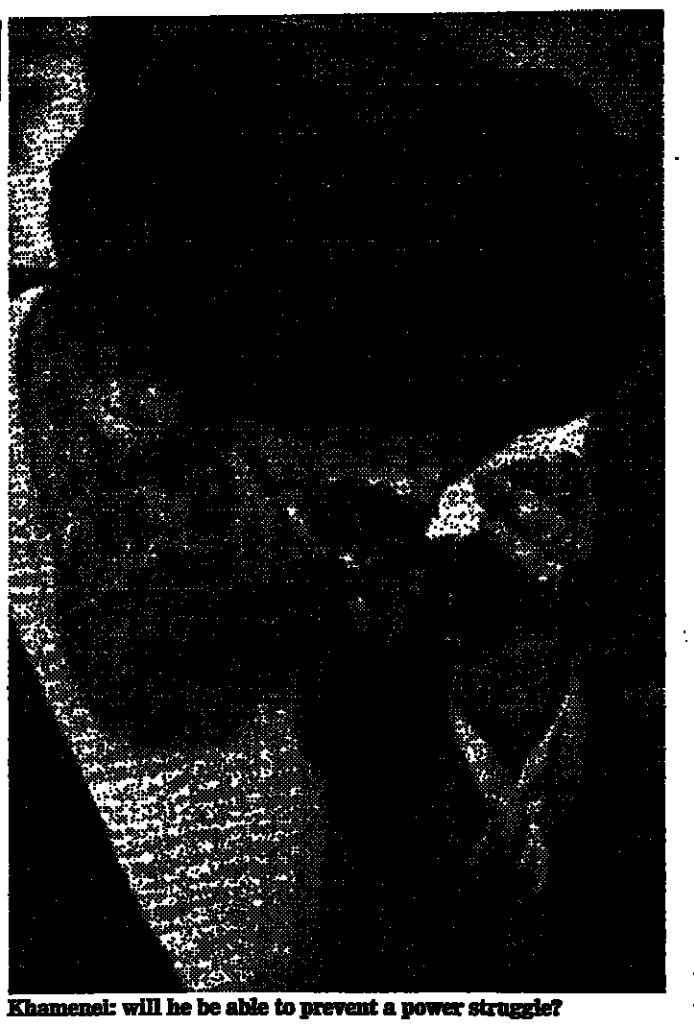
But the gap is difficult to bridge because President Premadasa and Mr Gandhi are working under contradictory pressures.

Mr Premadasa feels that after six months in power, and faced with growing antagonism to the Indian forces, he must press for an early withdrawal. Mr Gandhi would like to freeze the situation until after the elections.

The summit of South Asian nations in November is a crucial date for both sides.

Mr Premadasa does not want to be embarrassed domestically on such an occasion by the presence of Indian forces and a growing threat of terrorism against Indians in the country.

Mr Gandhi is anxious that the summit should enhance his prestige in advance of the election rather than being an occasion of Indian humiliation.



Khamenei: will he be able to prevent a power struggle?

Iranians rally round Khamenei for the moment

By Tony Walker in Tehran

TEHRAN is continuing to place heavy emphasis on leadership unity as the country mourns the death of its religious leader, Ayatollah Khomeini.

Iran's semi-official press has been giving daily prominence to pledges of allegiance to Ayatollah Ali Khamenei, the new leader of the Islamic Republic, in a clear attempt to allay fears of an upheaval following the death of the country's dominant figure.

The religious leadership realises its hold on power might be jeopardised if deep residual divisions among the leading mullahs were allowed to surface at this sensitive stage. The Council of Guardians, composed of Iran's leading religious figures, said in a telegram sent to Ayatollah Khamenei and published yesterday that it "considers it both a religious and a legal obligation to obey your excellency's commands."

Prominence was also given to public support expressed by Prime Minister Mir Hossein Mousavi and Ali Akbar Mohtashemi, the Interior Minister, leaders of the radical faction. The moderate Mr Khamenei would not be their first choice.

Pressure grows in Hong Kong for harsher line on boat people

By Michael Marray in Hong Kong

AS THOUSANDS of Vietnamese boat people continue to arrive in Hong Kong pressure is building up for an end to the colony's status as a first asylum territory.

Mr Geoffrey Barnes, Hong Kong's secretary for security, said yesterday the government was not formally considering such a move, but he acknowledged growing calls are being made in the colony's legislative council for this to happen.

This is because a United Nations international conference on the boat people in Geneva next week is not expected to agree to mandatory repatriation of the boat people, which the Hong Kong government sees as necessary to solve the problem.

Hong Kong is struggling to find accommodation for the thousands of refugees that have arrived in recent days, with 1,194 sailing into Hong Kong waters on Monday alone.

There are now 42,000 Vietnamese in the territory, 27,000 of whom arrived after the introduction of screening in June of last year. Mr Barnes said that if pressure from the Hong Kong public were to lead to an abandonment of the first asylum policy, it would under no circumstances mean that boat people would actually be pushed out to sea.

However it would lead to the ending of screening, leaving all arrivals designated as illegal immigrants. Mr Barnes will be attending the two day international conference on Indo-Chinese refugees, where Sir Geoffrey Howe, the British Foreign Secretary, is expected to speak on behalf of the joint UK-Hong Kong delegation, with Sir David Wilson, the Hong Kong governor also giving a separate address.

The conference is expected to endorse a comprehensive plan of action calling for: the prevention of clandestine departures from Vietnam; the development of emigration programmes as the sole means of departure; the adoption of standard screening processes to sort out genuine refugees from economic migrants; resettlement programmes for those classed as refugees; and the repatriation to Vietnam for designated economic migrants.

However the intention so far is for repatriation to be on a voluntary basis, and the Hong Kong government will be lobbying at the conference for mandatory repatriation to be introduced should the voluntary repatriation problem fail to attract sufficient numbers of refugees. So far only a few hundred of the 27,000 boat people have volunteered to return.

"I cannot pretend that the plan of action provides all we need in Hong Kong, particularly on repatriation," Mr Barnes said, adding that he would like to see a decision made on mandatory repatriation "within weeks rather than months," should the plan as expected fail to start the flow of boat people back to Vietnam.

"Mandatory repatriation is the logical and essential consequence of screening," Mr Barnes said, and Hong Kong had support from countries in South East Asia for its position. However he added that there was "a lack of support in other key areas."

In Geneva the Hong Kong government will be pressing for bilateral negotiations with Vietnam in the search for a solution. Vietnam will attend the Geneva conference and is expected to be a signatory to the plan.

Egypt and Israel in talks

By Hugh Carnegy in Jerusalem

EGYPT'S MINISTER of State for Foreign Affairs, Mr Boutros Boutros Ghali, is to visit Israel early next week. It will be the highest level visit by an Egyptian official since the start of the Palestinian uprising in the occupied territories 18 months ago.

Mr Ghali will discuss the implications of Egypt's return to the Arab fold at the Arab League summit in Casablanca last month and Cairo's position on Israel's proposals for elections in the West Bank and Gaza Strip intended to end the uprising.

Israel has expressed concern that Egypt's involvement in policy decisions at Casablanca was out of line with its commitments under the Camp David peace accords between the two countries of a decade ago.

It is also anxious to secure Egyptian acquiescence in its peace initiative for the occupied territories.

Ancient Luxor loses encounter with mass tourism

Tony Walker, recently in Egypt, reviews the pressures of construction and competition on antiquities

VISITORS to the quaint old shop on the Nile waterfront in the slee town of Luxor, 700km upriver from Cairo, were urged to consider themselves "at home."

An ancient sign suspended from the ceiling pledged to "serve you cheerfully," but added that it was "strictly forbidden to importune you to buy."

Mr Emil Gaddis, the shop's Coptic Christian proprietor, barely looked up when a visitor entered early one morning to browse among the souvenirs and bric-a-brac under whirring ceiling fans. Spring temperatures in Luxor match those of Cairo in high summer. It was such a relief not to be importuned – pestered by unceasing requests – that the visitor spent much longer in Mr Gaddis's emporium than he had planned. Business was slow.

"It's not like it was in the old days," Mr Gaddis said regretfully of an era before cheap charter flights opened up the mass tourism market. "There used to be only a few shops here, now there are 3,000."

Competition has brought the atmosphere of the bazaar to Luxor's streets. Visitors are importuned almost every step they take by shopkeepers, moneychangers, taxi drivers, carriage drivers, would-be-guides-for-the-day, hashish sellers and other individuals whose livelihood depends on tourists.

Taxi drivers, as a matter of course, overcharge shamelessly, and often respond aggressively when challenged. Visitors are theoretically under the protection of tourist police, but these low-paid guardians of the law, can hardly be blamed for not intervening.

When President Hosni Mubarak visited Luxor in February to view recent archaeological finds, he urged citizens to stop pestering visitors and "not make them feel that all you want is to get their money." A few months after the Presidential edict there was no sign of his words being heeded.

Luxor now receives 1m tourists annually, and there seems no limit to the numbers that cash-starved Egypt hopes to attract to the site of some of the greatest Pharaonic monuments.

Pressure is immense on the fragile Luxor environment, including the Nile itself, where the number of floating hotels discharging waste has risen from a handful to more than 140 in the past few years.

On a recent morning an almost unbroken trail of refuse, including plastic bottles and kitchen garbage from cruise boats upstream, floated past the promenade in front of Luxor's stately Winter Palace Hotel.

Foreign archaeologists worry that the crush of visitors to ancient tombs – wall inscriptions and paintings in many cases are not protected from being touched – will hasten the deterioration of priceless examples of Pharaonic art.

The growth of the modern town of Luxor on the Nile's east bank – the population is said to be 100,000, but most residents believe it to be many times that – is encroaching on archaeological sites and contributing to their decay.

The Luxor temple, for example, is badly afflicted by the rising water table. Sewer water from the adjacent modern town is permeating the foundations.

Dr Lanny Bell of Chicago University, who has spent the past 12 years in Luxor studying and measuring changes in the condition of monuments, the science of epigraphics, described their deterioration in some cases as "dramatic." It is a classic case, like Stonehenge or the Parthenon, he said, of the ancient encountering the modern and losing out.

The construction of modern buildings near to Pharaonic monuments is causing concern. The stark and dramatic appearance of the temple of Queen Hatshepsut, who ruled Egypt in the 15th century BC, is suffering because modern structures are encroaching. A four-story building is going up alongside the Pharaonic ruler's memorial.

The pressures of human settlement and the voracious demands of the tourism sector are also threatening the relatively unspoiled west bank of the Nile, where a verdant vista unblemished by modern structures has enchanted visitors for generations. Plans have been advanced to build a tourist village on the west bank, and there is even talk of a bridge across the Nile at Luxor.

Dr Bell says that the face of Luxor is changing so fast, with the appearance of many new hotels and other tourist facilities, that the town is turning into one big resort. "The whole place," he observed, "is chasing after money; they are real entrepeneurs."

But some locals worry about the consequences of too rapid development. "We forget that we should treat Luxor as an antiquities city and not as a tourist city," the manager of a Luxor tourist agency said recently, adding: "It's like the goose and the golden egg. The goose gives me the golden egg, but we don't take care of the goose."

India sees engineering exports rise

By David Housego in New Delhi

EXPORTS of engineering goods from India appear to have resumed a long-term upward trend after several years of stagnation, rising 31 per cent last year to Rs 14.5bn.

The Confederation of Engineering Industry (CEI) said yesterday it anticipated a further 50 per cent rise this year. The level is still not as high as the mid-1970s when Indian industry benefited from the rise in oil prices to win substantial plant and construction projects in the Middle East.

With the collapse of the Middle East boom and receding demand in other developing countries, exports slumped.

The renewed growth follows the sharp depreciation of the rupee which has increased Indian competitiveness in industrialised markets. The Indian government has also broadened its range of incentives to exporters including exemption of income tax on export profits.

According to the CEI, the growth of export earnings is occurring in products like castings and forgings, automobile components, diesel engines and railway wagons.

Though the volume still remains relatively small, western multinationals are beginning to source engineering products from Indian companies which meet the required quality standards.

Indian industrialists are also pressing to be allowed to expand abroad through acquisitions. Foreign exchange regulations prevent Indian companies financing equity purchases in foreign companies from rupee funds.

Irish aero engine rebuilding plant

By Kieran Cooke in Dublin

Pratt and Whitney, the aero-engine subsidiary of the United Technologies Corporation, has announced plans for an I£24m engine rebuilding facility in Ireland.

The project is a joint venture with Airmotive Ireland, a sub-

Delhi set against talks with US on Super 301 complaint

By Peter Montagnon, World Trade Editor in New Delhi

INDIA yesterday accused the US of putting its interests first in the Uruguay Round of multilateral trade negotiations and neglecting those of developing countries.

At the same time, the US was using its new Trade Act, which has no international validity, to force its wishes on India under threat of sanction, Mr Dinesh Singh, Commerce Minister, said.

He reiterated that India was not prepared to negotiate with the US over its complaint about foreign investment restrictions and establishment of foreign service industries.

Asked in an interview with the Financial Times what India would do about the US complaint, made under the so-called Super 301 clause of last year's Trade Act, Mr Singh replied: "Nothing."

The Super 301 clause calls on the US Administration to identify foreign barriers to US trade and negotiate them away under threat of sanctions. Mr Singh, who said he was "baffled" as to why India, alongside Brazil and Japan, was singled out for priority action under the Super 301 clause, added that India was prepared to enter dialogue with the US and other countries on matters of mutual interest, "but it cannot be under duress, under threat of retaliation".

India's refusal to negotiate would be communicated to the US as soon as it formally requested bilateral discussions on its Super 301 complaint, Mr Singh said. This meant there was a risk that the US would impose trade sanctions.

If that happened, one option would be to seek redress through the General Agreement on Tariffs and Trade in Geneva. The questions of foreign investment and services were already under discussion in Gatt's Uruguay Round, Mr Singh said. India could not discuss them bilaterally as well. "How could they expect us to negotiate the same things in two separate fora, and what will be our negotiating position [in Gatt] if we have already made concessions?"

Mr Singh acknowledged that India did maintain restrictions on foreign investment but said other developing countries did so too. The insurance industry, which was specifically referred to in the US complaint, was nationalised and barred to Indian private sector companies as well as US ones.

Indian laws were perfectly compatible with Gatt, he said, and did not discriminate against the US which was increasing both its exports to and investments in India.

Mr Singh added that it was unfair for the US to seek to force developing countries to open their markets to foreign service industries and agree new rules on protecting intellectual property rights when it was determined to maintain restrictions on textile imports.

Although he denied that India was seeking a specific trade-off in the Uruguay Round between textiles on the one hand and services, investment and intellectual property on the other, he said India was prepared to discuss these new issues in the hope it could lead to a package reflecting a range of interests.

Danish shipyard in Soviet fish barter deal

By Hilary Barnes in Copenhagen

DANYARD, shipbuilding arm of the Danish J Lauritzen shipping and industrial group, is negotiating a barter deal under which it will modernise Soviet fishing vessels and accept payment in fish.

Soviet fisheries companies now have greater freedom to make their own investment decisions. They want to modernise their fleets, but have no foreign currency.

In turn, the Danish fish processing industry is short of raw material because of restrictions on fishing in its traditional fishing grounds. The industry therefore welcomes Danyard's idea, which is also supported by the Danish Government.

The Soviet fishing fleet is large, but out of date, much of it built and equipped in the 1960s, said Mr Rendbaek.

The vessels are structurally sound however and modernisation and the installation of modern processing and freezing equipment (the Atlas and Sabroe subsidiaries of the Lauritzen group specialise in this equipment) will cost only half the price of new vessels.

Algeria boosts gas exports to US

By Francis Ghiles

ALGERIAN exports of liquefied natural gas to the US are set to increase as a result of two recent developments. In the first, Air Algerie has bought three Boeing 767-300 aircraft for \$252m, with two thirds of the cost to be offset by US purchase of Algerian liquefied natural gas (LNG).

In the second, J Makowski Associates, a Boston general gas services company, is to build a 240MW power station fuelled by LNG near Springfield, Massachusetts. The gas would be imported from Algeria, through Distrigas Corporation of Boston, which already has a contract with the Algerian oil and gas monopoly, Sonatrach, to import between nine and 17 cargoes of LNG every year.

The Boeing offset contract has yet to receive approval from the Federal Energy Regulatory Commission (FERC). It would require the import of 48 cargoes of LNG, through Distrigas, over three to five years. Boeing would have an escrow account with Distrigas and would be paid off over five years. EximBank is to provide loans covering 62.5 per cent of the value of the aircraft and guarantees for bank loans worth a further 12.5 per cent.

The second contract, which would require imports of between eight and 17 cargoes of LNG every year, does not require FERC permission because it would be considered as a contract sale for direct consumption, as opposed to a contract sale for resale to another gas utility.

Thus, if FERC approval is forthcoming for the first contract and the building of the Springfield plant Sonatrach could treble its exports of LNG to Distrigas over the next three to four years.

● Belgium and Algeria have settled a two year dispute over the price and volume of Algerian gas exports. Sonatrach will deliver 4.5bn cubic metres of LNG to the Belgian Distrigaz company over the next five years, ten per cent less than was initially agreed in 1975 but 50 per cent more than the volume shipped over the past two or three years.

Indonesians in refinery price row

By John Murray Brown in Jakarta

PERTAMINA, Indonesia's state oil company, is seeking big price cuts in talks with a UK-Japanese construction consortium on the country's sixth oil refinery.

Talks restarted in Jakarta this week with Foster Wheeler's UK subsidiary and JGC of Japan in an effort to agree a price for a 125,000 barrel a day residual cracker refinery to be sited in west Java near Jakarta the capital. Also taking part are Mitsui Corporation which will organise financing and British Petroleum the offtake and marketing partner.

Pertamina says the UK has pledged assistance under its Aid and Trade Provision, which is not normally used to support energy related projects.

Pertamina, which will own and run the refinery estimates the cost at around \$1.5bn. However the consortium's initial bid is understood to be considerably higher – one government official put it at 250 per cent above the Pertamina cost estimate. According to trade sources Pertamina is demanding a price below \$2bn.

The refinery was originally devised as an export project. Under the latest scheme it will process 25,000 tonnes of Minas Indonesia's benchmark crude and 100,000 tonnes of the heavier and lower value Duri refined products from other Indonesian refineries, to be handled by BP.

Caltex a joint venture between Chevron and Texaco of the US has already spent \$520m developing the Duri field in Sumatra using steam to extract the crudes. Caltex is now considering a further \$1.7bn investment in the Duri Steam Flood project.

The BP refinery is one of three major refining projects under discussion. Indonesia has effective refining capacity of 800,000 bpd but further downstream activity is seen as a way of raising oil revenues without breaching Opec production quotas. Much of the oil is destined to meet growing

US computer chiefs to lobby Washington in battle with Japan

By Louise Kehoe in San Francisco

CHIEF executives of some of the largest US computer manufacturers are planning a powerful joint lobbying effort in Washington to influence US trade and industrial competitiveness policy, focusing primarily upon the escalating battle with Japan.

International Business Machines, Hewlett-Packard and Tandem Computer are spearheading the campaign and have invited top executives from several other companies including AT&T, Apple Computer, Compaq Computer, Digital Equipment, Sun Microsystems and Unisys to join their "Computer Systems Policy Project" (CSPP).

They are expected to take a more moderate stance on Japanese trade issues than that supported by existing industry groups and to strongly oppose protectionism.

of capital, rather than proposing direct government intervention.

It could have a significant moderating influence in several areas of US trade policy toward Japan, balancing the hard-line opinions of US semiconductor manufacturers whose views have so far been most widely heard in Washington.

Although CSPP has yet to set a firm agenda, it aims to develop public policy recommendations in two areas: the current and long-term competitiveness of US computer systems companies and the resolution of issues related to the 1986 US-Japan semiconductor trade agreement.

As major customers of Japanese semiconductor producers and as companies that have made considerable investments in Japan, some with manufac-

They aim to take a leading role in the development of industry recommendations to the government, and suggest that existing trade groups may become "customers" of their public policy positions.

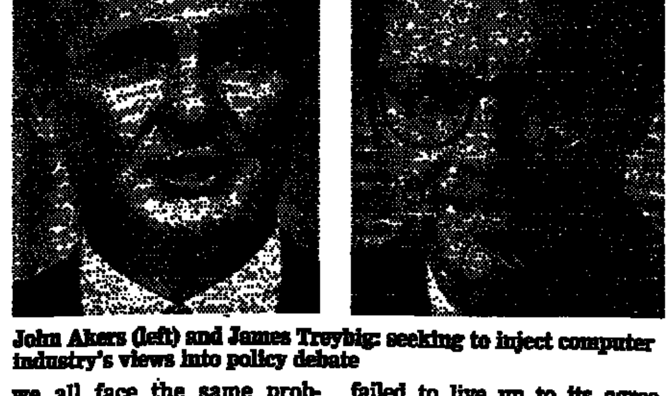
"There is an opportunity for like-minded systems manufacturers to inject a coherent view of our interests into the policy debates. In the absence of such a view, the government may well adopt policies counter-productive, and in some cases inimical, to the interest of our companies," said Mr John Akers, chairman and chief executive of IBM, James Treybig, chief executive of Tandem and John Young, chief executive of Hewlett-Packard, in a joint letter to industry colleagues.

The executives called upon their counterparts to commit their "personal time in devel-

extension of the 1986 US-Japanese semiconductor trade pact beyond 1991, when it expires. The group may also call for an end to the memory chip price monitoring system established by the Commerce Department to prevent Japanese dumping. That system has been widely blamed for a dramatic increase in memory chip prices over the past two years.

The formation of CSPP could signal an end to the consensus so far maintained by US computer and semiconductor producers on Japanese trade issues. It also appears to challenge the roles of existing trade groups such as the Semiconductor Industry Association, representing US chip makers, and the larger American Electronics Association in developing industry policy recommendations.

The computer manufacturers



John Akers (left) and James Treybig: seeking to inject computer industry's views into policy debate

we all face the same problems," the group has assured semiconductor producers. The SIA similarly maintains that the CSPP may be complemen-

failed to live up to its agreement to open its semiconductor market to foreign suppliers.

The resolution was timed to coincide with a meeting today


On air.
SKY TELEVISION
Hot air.

Officials stay eloquently silent on easing of monetary policy

By Anthony Harris in Washington

"I HAVE the utmost confidence that the Federal reserve – chairman Greenspan, his fellow governors, and everyone else at the Federal Reserve – is reading the exact same data I am."

With this ringing evasion another chairman, Dr Michael Boskin of the Council of Economic Advisers, refused on Tuesday to discuss monetary policy; and he was almost as unforthcoming about every aspect of Administration policy.

Since then two Fed governors, Mr Wayne Angell and Ms Martha Seger, have also stonewalled in public appearances. Everybody knows that the Fed has eased monetary policy, but no official will say so.

The easing was itself a non-event. On Tuesday the Fed failed to counter downward pressures in the market by draining reserves from the banking system through its open market operations, as it had done on Friday and Monday. Even the market bulls describe this as a very cautious easing, but they are confident that easier policy is here to stay, for the moment at any rate.

Yesterday another significant non-event moved the markets: it has been feared that an easier Fed policy would undermine the dollar; but when it was only moderately weak in Europe in the small hours of the American morning, New York promptly pushed it back up again.

That may not be regarded as good news at the Fed, not so much because the dollar is well above its old Group of Seven limits as because it reflects the continued strength of investment, both in plant and in securities, which led Mr Greenspan to muse in Madrid yesterday that the economy might bounce back and inflationary pressures might return: a soft landing on a springy mattress.

All this caution is due to one stark fact: nobody knows why the recent economic news is so good. Wages have advanced at an extremely moderate pace – "astonishingly" moderate, according to Mr Greenspan – despite what look like very tight labour markets; and consumer demand has also been astonishingly *moderate, despite strong income sta*tistics. This has led to a sharp rise in the reported savings rate which, if sustained, will lead to an equally unexpected improvement in the trade balance.

These developments would justify *quite a bold easing* of monetary policy if they could be explained and relied on; but the policy-makers can take little if any credit for them. The economy was growing well above its supposed potential until four months ago, despite months of Fed tightening, and the Administration's policies to encourage private savings have not even been formulated; but growth levelled out and savings rose.

Indeed, as Dr Boskin pointed out, it is hard to detect much impact from economic management for some time past; despite the gyrations of monetary policy, stock prices and the dollar, the core inflation rate – leaving out the effects of oil prices and the weather, which are *beyond the reach of US policy – has* been 4½ per cent, whether you measure it over the last six months, 12 months, or six years.

It is also hard to be sure what is going on. In one of his more eloquent passages, Dr Boskin described the difficulties of measuring output and productivity in an age of rapid technical change; and if you cannot be sure about output, you cannot be sure about productivity. Savings are not measured directly at all: the figure is the residual between two questionable numbers; it is only fairly certain that they have risen because the figures has been consistent for four months. Wage statistics are more accurate, but nobody can explain them.

Could it all have been done by higher interest rates? This is more than even monetarists have ever claimed (and the actual surviving monetarists have been denouncing Fed policy for months, since the money numbers ought to indicate an imminent recession).

Meanwhile it is not only the markets which live from one statistic to the next: the Administration is equally doubtful and fascinated. As A A Milne might have put it: "Hush, hush, whisper who dares? The White House is saying its prayers."

Menem's team 'ready for early hand-over'

By Gary Mead in Buenos Aires

THERE were fresh indications yesterday that Argentina's president-elect, Mr Carlos Menem, may enter office earlier than December 10, the date constitutionally fixed.

But Mr Menem's preparations to run the first Peronist administration for 13 years have been dented by the refusal of one of his nominees for cabinet office to accept the post.

Yesterday Mr Eduardo Bauzá, who will be Mr Menem's Interior Minister, said that the new Perónist administration would be ready "within 30 days" to take over government, if there was agreement that it should happen. President Rául Alfonsín is entitled to remain in the presidency until December but economic pressures are forcing the pace for an early handover.

One blow to Mr Menem's plans has come with Mr José Octavio Bordon's decision not to accept the key post of Minister of Public Works, which is effectively the ministry of industry and has main responsibility for privatisation.

Mr Bordon, Peronist governor of the province of Mendoza, accepted the offer at the weekend. He has now withdrawn, after a tussle with Mr Menem over who appoints junior posts in the ministry.

In a measured statement declining the offer Mr Bordon said that while Mr Menem had "every right" to name junior ministerial officials, "I am accustomed to working in another fashion". Mr Bordon described the reform of state "centralism, bureaucracy and corruption" as "one of the most difficult and most exciting of tasks". He clearly suggested that he wanted a free hand in the process.

The Ministry of Public Works is responsible for 46 state-owned companies. Their annual losses are now running at more than $3.1bn, and are funded by a fiscal deficit now estimated to be 13 per cent of Gross Domestic Product.

Mr Jorge Triaca, leader of the plastic workers' union (which was founded by his father), has accepted Mr Menem's offer of the Ministry of Labour.

Mr Triaca, a deputy in Argentina's national Congress, was one of the first trade union leaders to back Mr Menem's fight to secure the Perónist party's presidential nomination last year.

Mr Triaca served eight months' imprisonment under a former military dictatorship and is regarded as being an orthodox Peronist, supportive of state intervention in the economy.

● Argentina yesterday devalued the austral by 3.9 per cent. The officially fixed rate is now 185 australs to the dollar. The black market rate – now strictly illegal – yesterday was 330 australs.

Bush, Bhutto reaffirm Afghanistan policy

By Peter Riddell, US Editor, in Washington

THE US and Pakistan governments will continue to support the Afghan guerrillas while seeking a political solution in Afghanistan excluding the present regime in Kabul.

A continuity of approach has emerged following two days of talks which Pakistan Prime Minister Benazir Bhutto has held in Washington with President George Bush and senior members of his administration.

Yesterday, in a warmly received address joint session of Congress, Miss Bhutto argued that the conflict had entered its closing stages; "a stage often the most difficult and most complex. Pakistan and the US have travelled a long road in their quest for self-determination. Let us not at this stage out of impatience or fatigue become indifferent." She referred to "the challenge of achieving a broad-based political settlement to the war."

President Bush made it clear that both leaders believe that a political solution should "lead to a non-aligned representative government willing to live in peace with its neighbours to replace the illegitimate regime in Kabul."

There was broad agreement on the need for an early solution not least to help ease the burden of 3.5m Afghan refugees currently within Pakistan and to ensure their return home.

Both leaders also discussed the continuing need for military assistance to the resistance in Afghanistan.

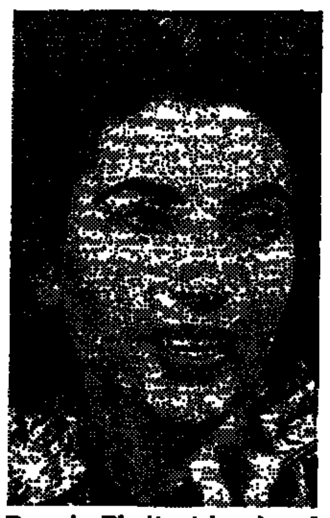
Reuter adds: Two influential US Senators yesterday called for a review of US policy on Afghanistan with the aim of achieving the goal of an independent government there.

Sen Robert Byrd, a West Virginia Democrat who is chairman of the Appropriations Committee, and Sen David Boren, an Oklahoma Democrat who chairs the Intelligence Committee, said in a letter to Secretary of State James Baker the Soviet Union was pursuing a strategy that could block the establishment of an independent Afghanistan.

Although Soviet troops had pulled out, they said, Soviet arms continued to flow to a Soviet proxy regime in Kabul and Moscow "has embarked on a sophisticated political and public relations gambit to divide the mujahideen resistance."

If the strategy succeeded in blocking the establishment of an independent political system free of Soviet control, "the Soviets may well have gained their long-sought springboard to destablise Pakistan and exert political dominance over South Asia," the senators said.

They asked Mr Baker to launch a full-scale policy review to determine the best way to achieve the goal of re-establishing an independent Afghanistan.



Benazir Bhutto (above) and George Bush pledge to continue their support, both military and political, for the Afghan resistance

Agreement on military accidents

By Peter Riddell, US Editor in Washington

THE US will next week sign a path-breaking agreement with the Soviet Union intended to prevent accidental military incidents from developing into larger conflicts.

The agreement, entitled The Prevention of Dangerous Military Activities, will be signed by Admiral William Crowe, the chairman of the US joint chiefs of staff, when he visits Moscow during an 11-day trip to the Soviet Union.

This follows the visit to the US last year by Marshal Sergei Akhromeyev, the then Soviet chief of staff, which helped develop links between the military leadership of the two superpowers.

Admiral Crowe will visit Soviet military installations as well as signing the agreement which has been negotiated by military teams during the winter.

The agreement is intended both to avoid provocative military activities and to prevent military conflict resulting from incidents or misunderstandings which occur anyway. It establishes procedures for securing a peaceful resolution and defusing of such events, including direct communications between military commanders on the spot.

Various types of potential problems are covered, including border or boundary incursions, the use of range-finding lasers when forces meet, ship and troop manoeuvres in regions of high tension and interference with communications and command networks.

The aim is to avoid the repetition of incidents such as the shooting in 1985 of a US Army major by Soviet troops in East Germany, as well as the shooting down in 1983 of the South Korean jumbo jet KAL 007 with the loss of all 269 aboard.

Admiral Crowe has said he also intends to discuss Soviet proposals for the reduction of conventional forces in Europe, seeking clarification about what a number of items mean, including what would be involved in dismantling equipment.

FBI inquiry into Rockwell plant

By James Buchan in New York

A MAJOR criminal investigation of safety and environmental practices has been launched at a plant in Colorado manufacturing plutonium triggers for nuclear weapons.

The US Justice Department said on Tuesday that about 70 agents from the Federal Bureau of Investigation and other government agencies entered the plant just north of Denver with a search warrant as part of a grand jury investigation. The plant is run by Rockwell, the California aerospace group, on contract to the Department of Energy.

The investigation brings to a head a scandal over safety and environmental management at the elderly network of reactors, assembly plants, laboratories and test sites that make up the US nuclear weapons industry. Rocky Flats, a 40-year-old plant which is the sole site for assembling plutonium into bombs, has polluted surrounding land and groundwater with volatile chemicals and plutonium, according to a recent report by the Energy Department.

Grand jury investigations, which are designed to establish a case for prosecution, are generally secret. But in a highly unusual statement, Mr Dick Thornburgh, the Attorney General, said the deparment was publicising the inquiry because "it is absolutely essential that the public understand that this investigation does not signal any major new environmental safety or health concern".

Mr Thornburgh said that "the purpose of our investigation is to determine what, if any, criminal violations may have occurred in the storage, treatment and disposal of hazardous wastes and mixed hazardous and radioactive wastes".

Lima 'will tackle inflation'

By Veronica Baruffati in Lima

PERU'S new cabinet plans a crackdown on subversive activity and a fight against hyperinflation.

Mr Luis Alberto Sanchez, Peru's 88-year-old premier and minister of the presidency, unveiled the ruling American Popular Revolutionary Alliance party's fourth cabinet programme to Congress on Tuesday evening.

Mr Sanchez explained that the Government was elaborating a plan to reform the banking system. Private property would not suffer, the Prime Minister promised, in the Government's aim towards "the socialisation of finances".

Mr Cesar Vazquez Bazan, Finance Minister, announced a programme of daily mini-devaluations and moderate price increases.

Mr Vazquez denied that he would float the dollar and accused the informal dollar market which turns over $5,200m a year of being neither informal nor free.

Retired General Julio Velasquez Giacarini, Minister of Defence, called on civilians to join the armed forces in their fight against subversion.

Just as the cabinet presentation ended, bombs exploded throughout the city in four government offices. The Revolutionary Tupac Amaru movement claimed responsibility.

France sponsors peace talks in Surinam

TALKS through French mediation on ending three years of civil war in Surinam were set to begin in French Guiana yesterday, according to French officials, Reuter reports from Cayenne.

The officials said rebel leader Mr Ronny Brunswijk would meet a senior official of Surinam's parliament, Mr Jean-Pierre Lacroix, the French administrator of French Guiana, and a representative of the French foreign ministry.

Stability in Surinam, which became independent from the Netherlands in 1975, is vital to French interests in neighbouring French Guiana, the only non-independent territory in the Americas and the base for the European Space Agency's Ariane rocket launching centre in Kourou.

*Surinam has been under mil*itary rule since 1980 and in 1982 a coup installed army sergeant Desi Bouterse as head of the military government.

Elections in January 1988 installed a civilian government in the *Surinam capital* Paramaribo but power is still in the hands of the military led by Bouterse. Since 1986 he has been fighting rebels controlling most of the eastern half of the country.

Airliner crashes near Paramaribo killing 162

A SURINAM Airways airliner crashed in thick fog near Paramaribo yesterday, killing 162 people, Reuter reports.

There were 15 survivors on the aircraft on a flight from Amsterdam, which went down about 3km from the international airport of Zanderij in Paramaribo, the official Surinam News Agency said, quoting state radio and the army high command.

The crash site was sealed off to civilians.

The aircraft was flown by a US crew and was carrying some leading Dutch soccer players as well as Surinamese citizens. SNA made no mention of the fate of Major Leu Yen Tai, Surinam's Army Chief of Staff, who was among the passengers according to Dutch radio.

A passenger list was not immediately available but an airline spokesman in the Netherlands said most of those on board were Surinamese people living in the Netherlands.

The news agency said there was fog in the area as it is the rainy season in Surinam.

Lawson seeks to stem debate on economic policy

By Philip Stephens, Political Editor

MR NIGEL LAWSON, the Chancellor, yesterday sought to squash decisively speculation that rising inflation and differences within the Government over economic strategy had forced a major reappraisal of monetary policies.

In a determined move to end recent confusion in financial markets, Mr Lawson told the House of Commons that there was no alternative to his policy of reliance on short-term interest rates to slow the pace of price rises.

However, he also acknowledged that his forecast in the March Budget that the annual inflation rate would peak at around 8 per cent during the summer was likely to prove over-optimistic.

Higher oil prices meant that the rate was now likely to rise to "slightly higher than this" and that the peak would be reached "quite soon". But from the summer a gradual fall should take place.

He also brushed off concerns about the widening current account deficit, which was only a problem to the extent that it reflected excessive domestic demand in the economy – already being curbed by high interest rates.

Mr Lawson, who was joined on the Government benches by Mrs Margaret Thatcher, the Prime Minister, sought to dispel strong Labour charges that public differences between them on exchange rate policy had created muddle and confusion in official policy.

●The all-party House of Commons Treasury and Civil Service Committee yesterday urged that the amount of Bank of England intervention on foreign exchange markets should be published together with the gains and losses to the exchequer, writes Peter Norman.

Union to appeal over ban on docks strike

By Jimmy Burns, Labour Staff

BRITAIN'S biggest union, the Transport and General Workers Union is to appeal to the House of Lords after London's Court of Appeal granted port employers and injunction banning the union from calling a national docks strike.

In a surprise legal twist, the Appeal Court ruled that the employers's argument that that the Dock Labour Scheme imposed a statutory duty on dockworkers to work despite a strike call deserved further legal consideration.

Lord Justice Neil also said he believed there was "great force" in the employers' criticism of the way a High Court Judge had last month ruled in favour of the union after understating the damaging effect a docks strike might have on the "public interest."

Mr Ron Todd, the union's general secretary, said last night that while the union was "deeply concerned" at the decision it intended to pursue its case with the "utmost vigour."

The union argues that its threatened strike is in support of a lawful demand for national agreement that will cover terms and conditions of 9,400 registered workers after the planned abolition of the Dock Labour Scheme next month.

The Government announced it was abolishing the scheme on the grounds that it maintained restrictive working practices and conspired against the efficiency and competitiveness of more than 60 British ports.

However, hopes that there would be an early resolution to the dispute which might avoid strike action appeared to recede last night with Mr Todd facing a revolt by militant shop stewards who are threatening unofficial action.

Town halls urged to monitor schools

By David Thomas, Education Correspondent

LOCAL AUTHORITIES were yesterday urged to draw up performance indicators to judge the quality of schools and teachers by Mr Kenneth Baker, Education Secretary.

Mr Baker set out a vision of a new role for local authorities within the Government's educational reforms in a speech to the annual conference of the Chartered Institute of Public Finance and Accountancy.

Most decisions affecting schools are to be devolved from local authorities to schools as a result of last year's Education Reform Act.

Local authorities would therefore have to evolve new advisory and monitoring functions, Mr Baker told conference delegates in Eastbourne.

While stressing that most schools would probably draw on local authorities' staffing, legal and financial services, Mr Baker said that governing bodies would be free to buy in such services from elsewhere.

This would require local authorities to take a more commercial approach to their services.

"In suitable cases, the support services which authorities provide could be priced...allowing institutions discretion whether to use funds to buy the service from the authority or to go elsewhere," Mr Baker said.

The Education Secretary also welcomed work now under way to construct more sophisticated performance indicators for schools, which he described as "one of the most important areas of development for the future management of education."

These new indicators would allow assessment of factors such as teaching quality, the management of staff, financial effectiveness and the range of a school's links with the outside community.

"To encourage value for money we need to find ways of assessing what is being achieved," he told delegates.

Mr Baker bemoaned the past failure of educational administrators to evolve performance indicators other than tables of raw exam results.

Canadians fly in to buy Shorts of Belfast

Kieran Cooke looks at the implications of Bombardier's Northern Ireland purchase

SHORTS has been an integral part of Northern Ireland and its economy since the Second World War. Despite all the company's recent problems it is still by far the biggest employer in the province with more than 7,000 workers. Many thousands more depend for their livelihood on work subcontracted by the aerospace company.

There was a general sense of relief in Belfast yesterday about the announcement of the sale of Shorts to the Canadian Bombardier Group. Mr Peter Robinson, the local MP, said that he was relieved that a long period of uncertainty was over but concerned that the FJX project, Shorts plans for a new generation small commuter jet, were being ditched.

Shorts has been in public ownership for the past 46 years. During the Second World War it employed 14,000 people building the Bristol and Sterling bombers and the Sunderland flying boat.

In the 1950s and 1960s Shorts worked on a prototype of the Harrier vertical take-off jet and built the fuselage for the VC10. But the company's recent history has not been a happy one. Chronic financial problems began in the early 60's with the Belfast Freighter, the biggest cargo aircraft ever built.

Shorts planned a production run of 30 for the Freighter, but only 10 were purchased by the RAF. Debts mounted, interest payments increased and company pleas to Government for a capital reconstruction and more investment were repeatedly turned down. Losses last year were £142m. Further heavy losses are expected this year.

Last July the Government announced its decision to privatise the company. "The disciplines and opportunities of the private sector" were the best way of ensuring the company's future said Mr Peter Viggers, Northern Ireland's Industry Minister.

But in the midst of all the problems, Shorts has produced a range of products that have consistently sold well on the world market, including the 360 regional aircraft, the Tucano trainer aircraft and its Blowpipe and Starstreak missile systems.

Products of the company are now in service with more than 200 civil and military users in 75 countries. Present orders amount to more than £1bn. Demand continues to outstrip production.

The marriage between Shorts and Bombardier is an odd one. Shorts was among the world's first aerospace companies. Set up by Oswald and Eustace Short in 1901, one of the company's first projects was manufacturing bi-planes for the Wright brothers. Bombardier has only been in the aerospace industry for the last three years through its 1986 acquisition of Canadair.

But yesterday in Belfast Mr Laurent Beaudoin, Bombardier's chairman, talked of the "synergies" which will be created by the combined resources and skills of the two companies.

The population of East Belfast and of Northern Ireland will be watching Mr Beaudion's every move in the months ahead.

Lonrho directors accused of 'connivance'

By Richard Donkin

THREE Law Lords were told yesterday that Lonrho, the international conglomerate, and four of its directors actively connived at publication of extracts from a government inspector's report into the House of Fraser takeover by the Fayed brothers in 1985.

Mr John Laws, counsel at the contempt hearing, said that headline after headline in a special edition of The Observer Sunday newspaper published on March 30 excoriated the Fayed brothers and a front page article written by its editor, Mr Donald Trelford, accused Lord Young, the Trade and Industry Secretary, of acting in bad faith and of being party to a cover up.

Neither Mr Trelford, nor Lonrho and the four directors, he said, had been content to leave the judicial appeal process alone.

Mr Laws was speaking on the second day of the hearing into whether publication of the special edition was in contempt of the Lonrho appeal against a judgment upholding Lord Young's decision to defer publication of the report until completion of an inquiry by the Serious Fraud Office.

Mr Laws described the special edition as a "sharp attack" upon the propriety and legality of the decision not to publish the report.

Mr Alan Rawley, barrister for Lonrho, told the Law Lords that he would hold that there was no case to answer. Mr Gordon Pollock, barrister for four Lonrho directors – Mr "Tiny" Rowland, chief executive, Sir Edward du Cann, chairman, Mr Robert Dunlop and Mr Paul Spicer – claimed that all parties involved were being put to "tremendous inconvenience and expense" to take part in an academic exercise to debate whether there had been a possible technical but "meaningless" contempt.

The hearing continues today.

Lloyd's in talks on syndicate

By Nick Bunker

LLOYD's of London's 20-strong ruling Council met yesterday to consider a plan to resolve the Outhwaite affair, in which 1,612 members of a marine insurance syndicate face losses estimated at £304m.

It will say this morning whether it has asked eight outsiders who sit on the Council to assess a plan to resolve the matter.

The scheme, known as the Havers plan, after Lord Havers, chairman of the RHM Outhwaite underwriting agency, aims to set a maximum limit to the amounts the 1,612 must pay to settle a rising tide of toxic waste clean-up claims from the US.

The topic was on the council's official agenda yesterday for the first time since the syndicate's losses began to emerge in 1985.

Mr Murray Lawrence, chairman of Lloyd's, also met the Outhwaite agency yesterday, with four independent Lloyd's underwriting agents representing 102 companies which placed people on the syndicate in 1982. Lloyd's authorities have previously refused even to consider becoming involved in assisting the Outhwaite syndicate. A decision to ask the eight outsiders to look at the plan would be a major departure from this stance.

Citroen UK sees fivefold jump in profits to £15m

By Kevin Done, Motor Industry Correspondent

CITROEN UK, the British importer and distributor of Citroen cars and commercial vehicles, increased its pre-tax *profits fivefold last year to* £15m from £2.4m in 1987 and £65,000 in 1986.

The big jump in profits last year stemmed from a 62 per cent rise in turnover to £387m from £239m helped by record overall demand in the UK new car market.

For the last three years Citroen, part of the Peugeot group of France, has been one of the fastest growing marques in the UK new car market, although the rate of growth has slowed significantly this year.

Car sales jumped by 45.5 per cent in 1988 to 66,930 following increases of 33.7 per cent in 1987 and 25.3 per cent in 1986. Sales of light commercial *vehicles – car-derived vans* and panel vans – also increased by 47 per cent last year to 4,412.

Citroen's share of the booming UK market has more than doubled in the last five years from 1.4 per cent in 1984 to 3 per cent in 1988.

The company has started to operate a small number of its own city centre retail outlets in the UK with three wholly owned dealerships in Glasgow, Hammersmith, London, and Manchester as well as a prestige showroom in Berkeley Square, London.

Brussels takes hard line over satellite TV venture

By Raymond Snoddy

THE EUROPEAN Commission is taking an increasingly hard line against Eurosport, Mr Rupert Murdoch's satellite tele*vision joint venture with pub*lic service broadcasters such as the BBC.

In December the Commission filed a formal statement of objection against Eurosport on the grounds that it would restrict and distort competition within the Community.

The Commission has now formally confirmed its opposition to the Eurosport deal after going through submissions from both the EBU and Mr Murdoch's News International.

The Eurosport consortium has been informed that nothing it has submitted to Brussels has changed its December legal assessment.

On the contrary,the Commission says, factual material sub*mitted tended to confirm* its earlier legal assessment.

The Commission now intends to move quickly to hold an oral hearing on the issue – the final stage before it announces its decision.

If the Commission finds against the Eurosport joint venture Mr Murdoch could lose exclusive access to broadcasts from about a dozen of Europe's leading public service broadcasters.

Eurosport was launched as one of the four Sky Television channels on the Astra satellite in February.

Exxon and Shell target Scotland for expansion

By Peter Marsh

A MAJOR chemicals expansion likely to cost more than £130m is being planned for Scotland by the chemicals divisions of Exxon and Royal/Dutch Shell, the multinational oil companies.

The project is due to go ahead over the next three years at a large chemicals plant which the two groups jointly operate at Mossmorran, Fife. It comes after several years of booming demand and strong investment in virtually all parts of the West European chemicals industry.

According to chemical industry forecasts, total investment by the UK chemicals business this year is likely to total £2bn, up from £1.7bn in 1988.

The expansion in Scotland will involve an increase of some 40 per cent in the Fife plant's capacity to make ethylene. This is a widely used feedstock in the chemicals industry which is a starting material for large-selling plastics such as polyethylene and polystyrene.

Output from the Mossmorran complex of ethylene, which has been in high demand in Western Europe for the past two years, will increase from about 650,000 tonnes this year to 900,000 tonnes a year in the early 1990s.

The expansion will make Mossmorran, which uses as starting materials mainly ethane gas piped from the North Sea, one of the world's biggest ethylene production units. It will also add significantly to Britain's production of ethylene, which now runs at about 2m tonnes a year.

The other two big makers of ethylene in the UK are BP Chemicals and Imperial Chemical Industries. BP is planning to spend some £300m on expanding production at its main ethylene unit at Grangemouth, Scotland, though so far ICI has refrained from making large increases in capacity at its ethylene manufacturing site at Wilton on Teesside.

Besides adding to Mossmorran's ethylene production, Shell and Exxon also plan to build a new unit at the site to produce 180,000 tonnes a year of propylene.

This material, which is currently not made at the Fife complex but which can be produced from similar oil or gas-based starting materials as those used to make ethylene, is another important chemicals feedstock. Its main use is to make polypropylene plastic.

Although Exxon owns the Mossmorran plant, both it and Shell are responsible for operating the unit and share out the production.

Exxon will ship most of its portion of the new ethylene to Belgium where the material will be used to feed two polyethylene plants operated by the company near Antwerp. These plants rely on shipments of ethylene from the Fife plant for a large proportion of their raw material.

Shell will use its share of the extra ethylene to boost flows of the material from Mossmorran to two chemicals factories which it runs in Stanlow and Carrington in north-west England.

Shell is constructing a new, £90m pipeline to transport ethylene from Fife to its Stanlow and Carrington sites.

US brain drain fears 'justified'

By David Thomas, Education Correspondent

MANY OF Britain's top economists have recently taken posts in the US, demonstrating that fears of a "brain drain" of academics fleeing Britain for better salaries overseas are justified, a new study has found.

The study is by Dr Andrew Oswald, Dr David Blanchflower, and Mr Andrew Clark, three of Britain's leading labour economists who will themselves quit Britain en bloc for better paid posts at Dartmouth College in the US this year.

The Government claimed in February that the brain drain was a myth on the basis of figures showing a net inflow of 360 academic staff into British universities from jobs or study overseas in the past eight years.

However, Dr Oswald and his colleagues have tried to assess the quality of academics leaving Britain in one academic discipline, economics.

They have tried to compare the standing of eight economists who recently left British universities for US posts with that of economists remaining in Britain.

The eight economists include Professor Wilhelm Buiter, the macro-economist who left the London School of Economics for Yale, Professor Amartya Sen, the social choice theorist who quit Oxford for Harvard, and Professor Oliver Hart, the micro-theorist who moved from the LSE to the Massachusetts Institute of Technology.

The study uses the social science citation index, a well-known measure of the importance of research which records how often economists' work is quoted by other social scientists around the world.

In 1987 the combined citations of the eight emigrant economists totalled 940, compared to 530 citations for the top eight economists at the LSE.

The entire 50-strong economics faculty at the LSE notched up only 1,100 citations.

"By abolishing academic tenure and cutting relative salaries the Government is reducing quality," Dr Oswald said.

Hospitals express interest in autonomy

By Alan Pike, Social Affairs Correspondent

THE GOVERNMENT'S plans to establish self-governing hospitals by 1991 moved forward yesterday with an announcement by Mr Kenneth Clarke, Health Secretary, that he had received 178 expressions of interest in the new status.

Between now and the end of July Ministers will hold a series of regional conferences for managers and staff of hospitals which have expressed interest in self-government, beginning with a national one in London on June 20. The Government plans to publish more detailed information on the implications of self-government to coincide with the London conference.

The 178 expressions of interest which had reached the Department of Health by yesterday cover a total of more that 200 National Health Service hospitals and other units. Such a number, said Mr Clarke, "greatly exceeds anything that I had anticipated at this stage."

By submitting formal expressions of interest, hospitals have not committed themselves to eventual self-governing status. Mr Clarke stressed this yesterday, but added that he did not believe many hospitals would have expressed interest if they were opposed to the idea. The Government's health reforms, he said, were well under way and were "reaching the stage where things are happening on the ground."

Self-governing hospitals would remain part of the NHS, but would have wide freedom to manage their own affairs. The bulk of their income would come from contracts with health authorities, general practitioners and insurance companies to provide treatment.

Ministers will not allow hospitals to become self-governing in order to evade closure decisions.

Turkey expresses regret at UK visa move

By Jim Bodgener in Ankara

THE TURKISH Foreign Ministry expressed regret at the introduction of a UK visa regime for Turks from June 23 and said it hoped the move would not adversely affect economic relations between the two countries.

Mr Douglas Hurd, Home Secretary, announced the decision late on Tuesday night in the form of a written reply to a question in parliament. The move has been gathering pace for sometime, impelled by the fact that in the first five months of this year, a total of 2,294 Turks arrived seeking asylum in the UK. London has also come under growing pressure from other EC members introduce restrictions with the approach of 1992.

Many OECD countries have been forced to introduce visa restrictions for Turks in similar circumstances. Canada did so in 1987, after more than 2,000 would-be "economic refugees" arrived on its doorstep – many of them on tours whose organisers had promised jobs and housing at the end of the day.

The visa regime may resolve an embarrassing situation for both bona fide travellers from Turkey – including senior executives – and UK officials. An unofficial visa system has been operating for about a year, whereby any Turk without a consular letter of consent found it very difficult to obtain entry.

However, the visa regime is also a setback for free movement of Turkish workers in Europe, an integral element of Turkey's application to become a full member of the EC. But Mr Ozal said recently he might be prepared to forego free circulation in return for a "green light" from the EC on the application.

It emerged yesterday in Ankara that Mr Turgut Ozal, the Turkish Prime Minister, tried to reach a compromise on the issue with Mrs Margaret Thatcher, the Prime Minister, at the recent Nato meeting in Brussels. He suggested that a system of three- to four-month business visas should be introduced.

Fugitives from a harsh climate

Turks travel in hope of a better life, reports David Barchard

BY FINALLY pushing Britain into imposing visas on Turkish nationals, the increasing numbers of people seeking asylum in the UK have not only drawn attention to their grievances, but also made life a little less comfortable for their well-off countrymen in Istanbul and Ankara.

But the announcement late Tuesday night that from June 23 Britain will require visas from Turkish nationals visiting the UK is not simply a response to a flood of asylum seekers – it is also part of a European trend.

Britain is one of the last European countries to join this bandwagon. West Germany, which has more than 1m Turkish citizens living within its borders, despite a fairly successful repatriation scheme early this decade, introduced a visa requirement as long ago as 1980.

The roots of the problem, however, are economic rather than political. In the last 20 years, Turkey's population has grown from 34m to more than 55m. It is still increasing at more than 2.5 per cent with about 500,000 new workers joining the workforce each year.

The robustly massaged unemployment statistics of the Turkish Government, which put non-agricultural unemployment at about 13 per cent, conceal a situation in which millions of people are either unemployed or subsisting on extremely low wages – below £30 a month.

Almost all young Turks want to work abroad, although not always permanently. In the early 1980s, when visa restrictions were first being considered, the Home Office asked the British Embassy in Ankara how many Turks would be likely to settle in the UK if movement was totally free.

"At a rough guess, about 4m." came the reply. The question of movement is complicated by the fact that under a 1972 treaty between Turkey and the European Community, Turkish nationals should have enjoyed the right to live and work anywhere inside the Community since December 1, 1986.

Turkey could have launched test cases to get this right legally enforced. However, because of its application to join the EC, Ankara preferred not to lose goodwill by arguing the matter. It may revive its claim if its application to become a full EC member is rejected. However, to do so, it would have to extend reciprocal rights to all Community citizens.

Germany has pressed the UK to speed up the introduction of visas to prevent Turks arriving in Britain and then slipping into other Community member states.

The advent of military government in Turkey in 1980 – and the fact that there continue to be political prisoners held in the country, often tortured during interrogation – added a new twist to the problem.

European public opinion looked relatively favourably on the fugitives; in 1984 West Germans were horrified when a Turkish left-winger killed himself during a court hearing considering an order for his repatriation.

In both Britain and Germany, it swiftly became almost impossible to distinguish between political offenders and migrants seeking work, not least because of Turkey's laws. To transform from a migrant into a bona fide refuge, all a Turk has to do is insult President Kenan Evren and publicly back a separate Kurdish state. Even if uttered in Britain, these remarks could be sufficient to earn a 15-year jail sentence in Turkey.

Applications for political asylum in the UK rose from 86 in 1987 to 500 last year, and more than three times that number so far this year, according to the Home Office. Those accepted joined burgeoning London communities of Turkish immigrants in Hackney, Dalston, and Stoke Newington, where Communist and Kurdish nationalist activists hold sway.

Several features of the latest influx – 1,757 Kurdish and Shi'ite applicants in all – strongly suggests that the motivation to leave Turkey is primarily economic. Their motives for flight are hazy and they have left their wives and children behind. None of the details they have to tell about their background are particularly unusual, while some have openly said they are here to see if they could get jobs in Britain.

Many of the applicants seem to approve the doings of the PKK (Workers Party of Kurdistan), an ultra-violent guerrilla movement, engaged in regular clashes with the Turkish Army, though this hardly entitles them to refugee status any more than tacit support for the IRA would in the Republic of Ireland.

There is no doubt that the visa applicants come from a harsh and impoverished world in south-eastern Turkey, where any local ethnic and cultural aspirations are forbidden, but the most of their motives in coming to Britain seem to be economic, thus preventing them from qualifying as refugees.

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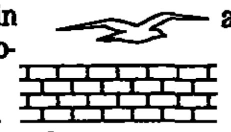

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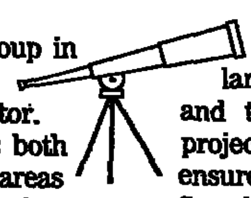

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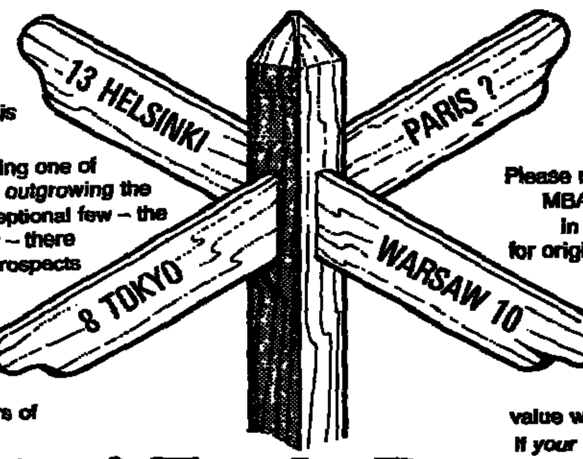

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LEGAL NOTICES

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NOTICE IS HEREBY GIVEN, pursuant to Section 48 of the Insolvency Act 1986, that a MEETING of the CREDITORS of the above named company will be held at Cork Gully, 43 Temple Row, Birmingham, B2 5JT on Thursday, 15 June 1989 at 10.30 am for the purposes of having laid before it the report prepared by the joint administrative receivers in accordance with the said section and, if thought fit, appointing a Committee.

Creditors whose claims are wholly secured are not entitled to attend or vote at the meeting. Creditors who are partly secured may only vote in respect of the balance of the amount due to them after deducting the value of the security, as estimated by them. A creditor in respect of a debt due on, or secured by, a bill of exchange or promissory note must treat the liability of any person who is liable on the bill antecedently to the company as a security held by him (unless that other person is subject to a bankruptcy order or in liquidation).

Creditors wishing to vote at the above meeting must lodge a written statement of their claims with us at Cork Gully, 43 Temple Row, Birmingham, B2 5JT no later than 12 noon on 14 June 1989. Forms of proxy are enclosed which, if intended to be used, must also be lodged with us by that time.

DATED this 31st day of May 1989

John F Powell and Ian N Carruthers
Joint Administrative Receivers

BUSINESS LAW

Another step backwards for US takeovers

A quite drastic Wisconsin anti-takeover statute has been upheld as constitutional by the US Court of Appeals for the Seventh Circuit, in Chicago. Although the result in *Amanda Acquisition Corporation v Universal Foods Corporation** was not a surprise, the decision and opinion are important developments in US takeover law.

One important reason is that the author of the opinion is Judge Frank Easterbrook. Like Judge Richard Posner who sits on the same court Judge Easterbrook came to the bench from the law faculty at the University of Chicago. Both have won names as aggressive and prolific proponents of efficient market theory.

Judge Easterbrook's academic writings argue that the threat of takeovers is crucial for economic efficiency because it keeps managers in fear of their jobs. Takeover defence, on the other hand, leaves shareholders and the economy worse off.

Judge Easterbrook made plain in his opinion on the case that he had not altered these views. But for reasons of precedent and legal theory, he was not going to fight this battle on constitutional grounds.

"A law can be both economic folly and constitutional," he said, quoting another conservative former University of Chicago law professor, Supreme Court Justice Antonin Scalia, in *CTS Corp v Dynamics Corp of America.***

Folly or not, more states have been enacting strong anti-takeover laws, and federal district courts have been upholding their constitutionality.

The Wisconsin statute is based on an earlier New York model. It prohibits any bidder who owns 10 per cent or more of the target's voting stock from putting through a merger or equivalent transaction with the target company for a period of three years, unless the bidder obtains the approval of the target's board of directors before becoming a 10 per cent holder.

A merger to eliminate minority shareholders, after a tender offer, is usually crucial in leveraged bids because the bidder needs complete control of the target's cash flow and assets to obtain financing for the offer. As a result, the Wisconsin statute makes it difficult, if not impossible, to accomplish leveraged bids.

The constitutional success of the Wisconsin law in this case has probably cleared the path for the next generation of state anti-takeover laws. Indiana and Ohio, for example, have recently adopted laws that grant directors the discretion to act in what they consider to be the long-term interests of the shareholders, the company and various other constituencies such as employees, customers, suppliers and local communities.

Similar statutes have been passed or are pending in New York, New Jersey and Illinois.

These laws apply even when the board of directors is facing a bid at a premium price. When these laws are combined with powerful poison pill rights, the result could be conclusive — no takeover.†

The poison pill rights cut bidders off from making a bid directly to the shareholders by making it punishingly expensive; and the new anti-takeover laws protect directors' decisions from legal attack. Generally, these new laws expanding the discretion of directors also expressly endorse the legal power of directors to issue and to use poison pills.

How much this combination of laws will strengthen takeover defence has still to be tested by the market and in the courts.

At first, state anti-takeover laws were held to be unconstitutional on grounds that they interfered unreasonably with federal tender offer regulation and with inter-state commerce. The key US Supreme Court opinion was given in the 1982 case of *Edgar v MITE Corp.*‡

Then, in 1987, the Supreme Court in the *CTS* case upheld the constitutionality of an Indiana statute that prevented hostile bidders from voting their shares before they had won a shareholder referendum§.

It is now hard to see any constitutional limit on what the states can do so long as they observe two restrictions. First, the state cannot directly interfere with the federal laws and rules that establish the mechanics of tender offers. And second, a state's anti-takeover law must apply only to corporations incorporated in that state.

The *CTS* case was the turning point. It coincided with the Wall Street insider trading scandals. The Supreme Court seemed much less inclined than a few years before in the *MITE* case to endorse the wisdom of takeovers. Moreover, since the *MITE* case the Supreme Court, and the federal judiciary generally, have become more conservative.

Delaware, where a majority of large corporations are incorporated, has a law similar to Wisconsin's, requiring three years' delay before a merger. But the Delaware law contains loopholes not found in Wisconsin and New York.

Delaware, for example, makes an exception for tender offers made by bidders who own less than 15 per cent of the target's voting stock if the tender offer brings the bidder's stake up to at least 85 per cent in one step.

When Delaware's statute was enacted, these exceptions were thought to be important in reducing the risk of constitutional attack. Under Judge Easterbrook's constitutional policy of deference to state law they appear unnecessary. He observed, in fact, that Wisconsin "could ban mergers outright, with even more powerful consequences".

However, it is not only because Delaware legislators were constitutionally cautious that Delaware's anti-takeover law is relatively weak.

Since Delaware law is so important to the national economy, its legislators and the Delaware bar are concerned that they may provoke federal government intrusion into the states' traditional dominant role in corporation law.

Delaware could put a potent national damper on hostile takeovers if it were to follow other states by authorising boards to turn down takeover offers to promote long term or non-shareholder interests.

Legislators outside Delaware are concerned about plant closures in their states or company headquarters moving after a takeover. But since almost all Delaware corporations operate outside the state, the Delaware legislature and bar have quite different interests. Delaware's next move will be determined by these considerations.

However, there are two important negative considerations from the standpoint of Delaware. The Delaware bar prospers the most from an uneasy legal balance between bidders and targets; and organised shareholder groups are making it much more difficult for managements to move corporations out of the state for anti-takeover reasons.

*No 88-C-1296, May 24 1989.
**481 US 69 (1987).
†Herzel and Shepro, Takeovers hit by US State Laws, Financial Times, May 11 1989.
‡457 US 624 (1982).
§Herzel and Shepro, The Limits of Indiana's Anti-takeover Legislation, Financial Times, May 8 1987.

Leo Herzel and Richard W. Shepro

Partners in Mayer, Brown & Platt, Chicago

MANAGEMENT: Marketing and Advertising

Electrical retailing in the UK

When Dixons was wrong-footed

Maggie Urry examines the reactions of an early victim of falling consumer demand

What does a retailer do when faced with a sudden and sharp drop in sales? It is a question which many UK stores groups are asking themselves as the British Government's measures to rein back consumer spending are taking effect.

Dixons, the high street electrical goods retailer had to answer just such a challenge in October 1987. Since then it has trodden the path which other retailers are now following.

Profits from the group, which in 1984 acquired Currys, a rival with a greater emphasis on white rather than brown consumer goods and which also has an electrical chain in the US, have suffered. In the year ended April 30 1988 pre-tax profits edged higher to £103.1m. But half year figures reported in January this year showed a 15 per cent drop to £42m, and analysts are looking for full year profits of around £80m next month.

When reporting interim results in mid-January 1988, Stanley Kalms, Dixons' chairman, said: "The precipitous fall of world stock markets which started on October 19 had an immediate and significant effect on our UK business. Sales per square foot, which before this date had shown an increase, then declined against the previous year."

Looking back now Kalms has one word for the company's immediate reaction to the collapse of trade – "panic". He maintains that the stock market crash and its effect on trade could not have been anticipated.

It could not have come at a worse time of the year – just when stocks had been built up to peak levels for Christmas. "We were totally committed; there was nothing we could do before Christmas," says Kalms.

However, Dixons rapidly realised that the stock market crash would have a more than transitory effect on sales. Kalms says the group adopted an extremely cautious view and quickly instituted a review of all its activities.

He had to assume that there was a future for electrical goods retailing – indeed, given the variety of new products which will become available over the next decade, many people feel there is a rosy long term future for the sector.

"We always take the view that we are in business for ever," Kalms says. Dixons and Currys combined have as much as 40 per cent of the UK market for some products – a strategic position which has prompted bid speculation.

He points out that a number of different projects are being worked on at any time, some short term, some long term. Some could be deferred. Others were vital and needed to be accelerated even though that meant substantial extra costs in the short term.

One of the first areas to be tackled was stock control. The buying cycle was geared to the pre-crash level of business and at first it was difficult to predict how much stock to hold to satisfy lower demand. But it was clear that stockturn had to be reduced from the then rate of 14-16 weeks.

The answer was to move to a much faster, just-in-time method of stockholding, with stores ordering from a series of distribution points. This meant the group had to have confidence in its information systems to ensure there were no embarrassing gaps on shelves – thereby losing potential sales. It also meant gaining the co-operation of suppliers.

A vital element was the integration of the Dixons and Currys distribution and information systems, which had been run separately, with some duplication. With over 900 shops in total, putting two disparate systems together was "perhaps the most challenging management exercise we have ever done," says Kalms.

It is scheduled to be completed later this year and, Kalms reckons, will produce dramatic benefits eventually. He hopes stockturn will get down to 6-8 weeks, depending on whether the product comes from the Far East or is made locally.

Kalms was equally determined not to stop expanding the chains, although cautious of taking on stores which might be marginal profit makers. "There are some towns we have wanted to be in for 30 years. If sites come up just when you do not want them, you cannot turn them down."

He dismisses criticism that the shops have failed to keep up with the retail design fashions of the 1980s, and equally denies that there is about to be an expensive refit of the chain.

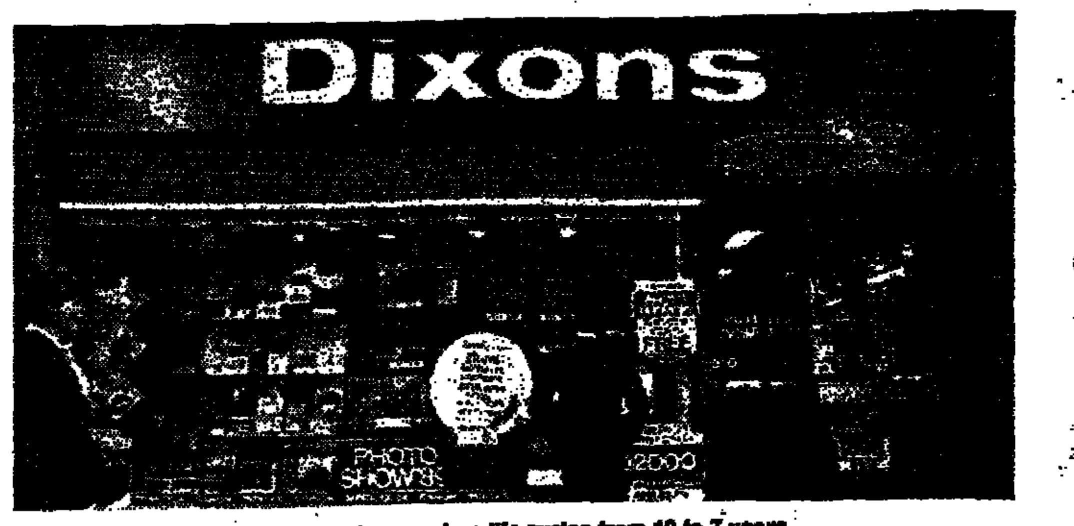
The shops are going through a continual evolution with the red colour scheme of the 1970s hardly recognisable next to a new store, Kalms argues. However, he admits that the group is now shortening the stores' life cycle from 10 years to seven and consequently cutting the amount spent on refits.

Kalms says that what must not change is the element of excitement in the stores, which sell "toys for adults." Nor will stickers proclaiming low prices and special deals be removed from windows.

"Nothing that has happened over the last 18 months suggests we were wrong to give deals," Kalms says. "People want value and we are known to be good value. We have to be seen to be highly competitive or else we are dead. We will not change that, but the presentation will change."

Kalms also agrees that the staff in the shops need to be better able to tell customers how products work. He admits that "the level of staff training has not kept pace with the speed of technology."

In future customers can expect to find a range of stock tailored to local market needs.



Dixons has now decided it must shorten shop life cycles from 10 to 7 years

The plan is to use the new information systems to allow managers to pick from the full range those products which will sell best in their area, or compete more strongly with the local opposition.

Kalms' plan is to create a menu for each store, suiting the range carried to the local customer profile, which might be different in a market town compared with an urban high street site. Each store will continue to sell a core range but it will not waste space stocking products which are not selling.

To make this new plan work will take sophisticated information systems, rapid stock distribution and will put more power in the hands of the store and area managers. But Kalms believes the result will be that Dixons will regain its advantage against local competitors which can "cherry-pick" the full range.

Kalms, who admits to wallowing occasionally in self-inflicted punishment, appears more cheerful than for many months. The period since the crash has clearly been tough and there has been "a lot of unpleasantness," he says. The integration of Dixons and Currys meant some departures.

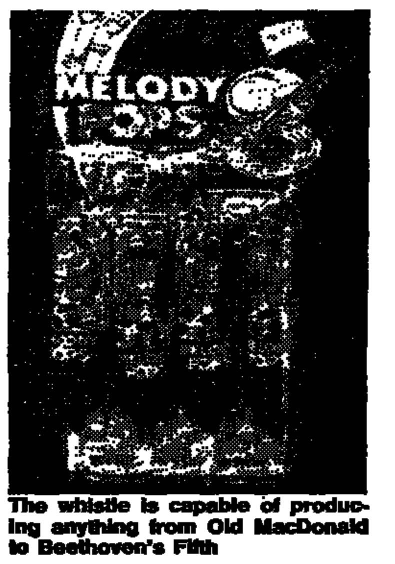
But he does not think the fall-off in business pushed the group into doing anything it would not have done otherwise, though decisions have been harder and actions speeded up.

He still does not understand just why sales fell so sharply, though he believes it is not important to know the precise reasons. "The big question is: has there been a fundamental change in the market? There is no evidence that that is so."

Having panicked once, he says, management must get down to making decisions. Indiscriminately cutting costs – "firing every third typist" – is not a solution to a downturn in business. Instead, he says the whole group had to be reviewed, and new disciplines and ideas brought in.

How Spain's toot sweets have licked the lollipop market

By once sacrificing its home demand, Chupa Chups was able to concentrate on exports. **Peter Bruce** reports



The whistle is capable of producing anything from Old MacDonald to Beethoven's Fifth

They take a special interest these days in news from the Soviet Union and China in the swank headquarters of Chupa Chups, the world's biggest lollipop manufacturer, on Barcelona's main thoroughfare, the Diagonal.

For the past three years the company has been negotiating a joint venture with Peking to begin making lollipops for (potentially) the biggest market in the world and is very close to agreement. Talks about a similar venture have also begun with the Soviets. But management is staying tight-lipped as the world waits to see the outcome of the current turmoil in China.

Entry into that country would top a 10-year-long drive by the company into the Far East; and it has not all been easy going. "We had to sell the concept of the lollipop in places where it did not exist," says Willem van Brakel, Chupa Chups' Dutch-born marketing director. "It was not considered polite to put something in your mouth and then keep pulling it out again."

Chupa Chups is the life's work of a 65 year-old Catalan, Enriqué Bernat, the son and grandson of pastry-makers from Lloret on the Costa Brava. He had gone to the province of Asturias in northern Spain in the 1940s to work for a confectionery and fruit products company, Granja Asturias, and had risen to become general manager by the early 1950s when he told the board the company should stop its haphazard product line and and specialise in lollipops alone.

If he thought he was so smart, the outraged directors said, why not buy the company and make his own lollipops. In 1955, he did just that. He still owns the business and has brought his three sons into management as well. Although Chupa Chups refuses to publish its profits, it is widely reckoned to be one of the most successful medium-sized family companies in Spain.

The company sells more than a billion lollipops a year in 85 countries. Enough, claims Van Brakel, to circle the globe four times if laid end to end.

Bernat, who finally brought Chupa Chups "home" to Catalonia in 1968 by moving the head office and setting up new plant in Barcelona, began his lollipop onslaught in Spain by building up a huge, 400-strong direct sales force to press his product on about 300,000 confectionery outlets. In a country then accustomed to queueing at shops, hard marketing had an electrifying effect and what competition there was, was soon swamped. "We were almost a monopoly," says Van Brakel, "and so we created our own competition."

What he means is that Bernat came up with an intellectual lollipop, one that could whistle, in 1962. Since then the hugely successful whistler has mutated a number of times, culminating in one now that, with sufficient supplies to practice on, is capable of producing anything from Old MacDonald to Beethoven's Fifth symphony.

By the beginning of the 1970s, Bernat decided to take advantage of the gradual opening of the Spanish economy and to try his hand at exporting. Chupa Chups had saturated the domestic market and profit margins in richer European countries would obviously be better.

Once again the lollipops, their distinctive wrapping designed by Salvador Dali and little changed to this day, caught on quickly. "We had unexpected success," says van Brakel. So much so that after a few years the company did not have enough plant to meet both Spanish and export demand. "We had to make a choice and we chose exports," says Van Brakel. At one point in the late-1970s Chupa Chups was forced to stop selling in Spain altogether.

Now, less than a decade later, more than 80 per cent of its lollipop sales are outside Spain.

But the export effort had allowed dozens of local competitors into the Spanish lollipop market and by the time sufficient plant had been built – using machinery designed by an engineering group Bernat had bought in 1969 – to satisfy local and export demand, the going at home had become much tougher. "In a way we are still paying," says van Brakel. "We gave the competition a chance and they took it."

Chupa Chups now has less than 40 per cent of the Spanish market, which is worth between Pta 3bn and Pta 4bn (£20m) a year. It has only been able to come back at all because of the success of another massive direct sales campaign.

This "re-entry" into Spain has also thrown up an image problem. Because Chupa Chups did so well initially, it has become a generic for lollipop in Spain. So the company, at some risk to its established image, is working with Landor Associates, the international design consultancy, on a new corporate image

Chupa Chups' main lollipop challenge, though, is to find new ways to add value to what is, in truth, a very simple product.

Lollipop sales totalled Pta 9bn worldwide last year, and while Bernat's other forays into service industries – he bought a small insurance company in 1966 and in addition to that and the machinery group, also owns a modest air charter operation – add another Pta 3bn to turnover, there is pressure to expand the traditional business.

Through its machinery group, he says, the company has devised a revolutionary way of making lollipops which will usher an entirely new kind of lollipop into being. He refuses to give away any secrets but says a product will be in sweet shops "soon". "The new technology opens up unknown possibilities," he says. What can he mean?

TECHNOLOGY

Setting the world on a layered Grid

Peter Knight looks at a United Nations database which can make predictions about future environmental conditions

If the Earth warms up by two degrees over the next decade, as expected, don't invest in Uganda's robusta coffee crop. It will not grow very well.

This prediction was made by a computer which is part of the Global Resource Information Database (Grid), an ambitious United Nations information technology project designed to make sense of the vast amount of data on the environment collected by satellites and ground-based researchers.

"Management of environmental information may well turn out to be one of the most critical technologies of the next 25 to 30 years," says Wayne Mooneyhan, director of Grid in Geneva.

He gave up his job at the National Aeronautics and Space Administration, in the US, to help develop the database which, after a three-year pilot phase, is now being set up with large computer centres in Geneva, Nairobi and Bangkok.

Grid staff have been collecting published information about the environment – satellite photographs of the world, population statistics, pest breeding points and rainfall patterns – and putting the data into their computers. Special software takes the raw data and turns it into information on which governments can base their long-term plans.

For example, one of the Grid pilot projects was designed to help the Thai Government plan for the management of its fast-disappearing forests.

The Thais knew that the forests played an important role in keeping topsoil in place and preventing floods but they had no overall picture of their forests. They did not know exactly how big they were, how much of the country was covered by trees, how much deforestation had taken place over the years and where the trees were being cut down.

Grid staff collected satellite photographs of the country taken over a number of years, added information gathered by the Thais and then showed "in vivid colour" where and when the trees were cut down. The information was then cross-referenced with political initiatives, the timing of floods, the rate of soil erosion and the growth of rural populations.

In this way it became clear that the period of most rapid deforestation was during a government-led effort to encourage the export of rice – which led to expansion of the rice paddies. Later, less intense, deforestation was due to the growth of hill tribes who needed more farming land to feed themselves.

Thailand has now banned tree-cutting and instituted a master plan for the management of its forests. The Grid computer model provided projections essential for the planners.

A similar project was carried out in China to help plan the relocation of 500,000 people during the building of the Three Gorges dam. Grid already holds 25 sets of geographically related data, from information on political boundaries around the world to the density of tsetse fly distribution in Africa.

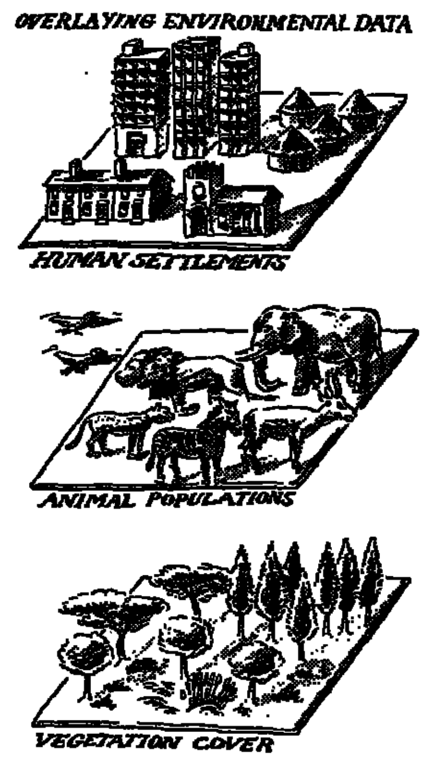
Much of this information comes from another UN project called the Global Environment Monitoring System (Gems), of which Grid is the information processing section. New sets of data being added to Grid mean that eventually it will be able to show, on a single computer screen, vital information about virtually any part of the world.

The UN hopes that developing countries and researchers working on global environment issues will use Grid as a basis for decision-making. If, for example, the agriculture minister of Zaire is considering the possibility of a new cash crop he can, with the help of Grid, develop a computer model of the likely success of such a scheme.

Grid's software is designed to examine the interactions between different sets of environmental data. Until recently, information from scientists specialising in different areas of research was held separately and it was difficult and time-consuming to extract the necessary data and then discover the interactions.

Now the computer is used to overlay the different sets of data so that a total picture of a particular area can be built up. The software also helps planners make sound predictions by allowing them to ask "what if" questions.

To get the prediction about Uganda's coffee crop, researchers digitised (put into computer language) soil maps, geographic and demographic information and produced a computerised picture of Uganda. At the touch of a few keys the computer will show, for example, a graph of the population density in relation to the geography.



The researchers asked the computer what would happen to Uganda's coffee crop, the country's main export, if the world warmed up by two degrees and the model provided the depressing answer. But the computer can also be more positive. It can, for example, show which new crops would thrive in a warmer climate and where they should be planted in Uganda.

The specialist software used to make these correlations and projections is part of a relatively new but fast-growing market called geographic information systems (GIS). These systems are being used by governments, local authorities, oil companies, railway, electricity and telephone companies who need information about what happens above and below ground.

IBM estimates that the world market for GIS will be worth between $8bn (£5bn) and $10bn over the next three to four years. And this might have something to do with its decision to donate computers, software, equipment and professional skills worth $6.5m this year to Grid.

A fully equipped IBM mainframe computer system is already working in Grid's Geneva base and a similar, but slightly smaller, system is being installed in Nairobi. Another system is planned for Bangkok. IBM is also giving personal computers to developing countries which will use information from Grid.

Mooneyhan says Grid is hoping to set up computer centres in North and South America, west Africa, the Middle East, Asia and the Pacific Basin. Satellites will eventually provide communications links between the centres but meanwhile information will be transferred on CD-Rom (compact disk read only memory).

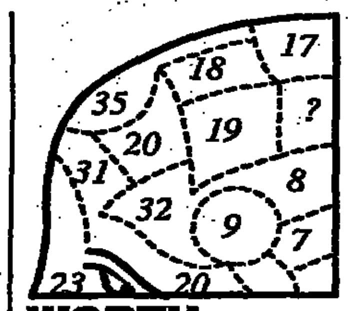
Most of the funding comes in the form of donations from large companies (Prime Computer, Perkin-Elmer and the Redland Environmental Research Institute of California were early donors), from individual countries, and from organisations such as Nasa which loans skilled staff.

Last year the United Nations Environment Programme had a budget of about $30m, of which Grid got $1.3m. Mooneyhan says the actual cost of building Grid is nearly 10 times higher than its budget. All the extra costs are funded by donations.

Running a computer system in a small office in the West creates headaches for many managers. Setting up a global network using complicated technology in Third World countries could be asking for trouble.

Mooneyhan disagrees: "All you're really talking about is whether the technology level of the countries we are dealing with is ready to accept such a new-fangled thing. And the answer to that is training, which we do a lot of. We plan to train 12 countries in less than a year on equipment that will be given to them at the end of the course. There will be follow up from Grid and other organisations to see that the systems are working.

"The big difficulty in the developing countries is not normally an inadequate technology level. The problem is a lack of a critical mass of people working at that level. We have to train lots of people so that they can become trainers."



WORTH WATCHING

Edited by Geoffrey Charlish

'Jukebox' of library books

AN OPTICAL storage system which can give readers almost immediate access to the entire contents of a large branch library has been built by Next Technology of Cambridge. The system, called Voyager, is not much larger than a standard personal computer and was given substantial financial support by the British Library.

In a few seconds, the reader is given access to text, pictures and sound from a "jukebox" of several hundred discs, using a logical, carefully controlled indexing system.

Easy transit through customs

SPICER AND Oppenheim, the UK chartered accountants, have launched a software package called CustomEase. It is designed to help UK businesses cut through the red tape surrounding shipment of goods in the European Community and the European Free Trade Association.

Written by Wessex Software and able to run on most personal computers, CustomEase presents on screen the Single Administrative Document required for all import, export or community transit declarations.

Spicer and Oppenheim says that although there are packages available for large companies, CustomEase is the first to provide comprehensive import and export applications, as well as detailed stage by stage help. This means that companies will no longer need the help of freight forwarders and agents – who have knowledge of the relevant legislation – to complete the forms.

Weight-lifting without weights

A NEW computerised machine from the French company Bérénice makes weight-lifting without weights possible.

The machine consists of a crossbar which moves up and down two fixed vertical supports. Instead of relying on physical weights, the crossbar is pushed upwards by the user and a variable speed motor system in the vertical supports measures the force exerted. Any weight up to 400kg can be simulated. This force balancing system is linked to a built-in microprocessor with keyboard and memory.

More versatile than the traditional method of using weights on the ends of a crossbar, this machine can measure duration, acceleration and speed, as well as the force exerted.

The system can be used to devise a complicated body-building programme by entering instructions on the keyboard. There are also applications expected in physiotherapy, since the measurement facilities allow programmes to be carefully tailored to individual needs.

Disturbing trends in IT investment

ORGANISATIONS THAT have formulated no clear strategy for using information technology are often those that seem determined to spend the most on it. That is the main finding of a survey just conducted by Peat Marwick McLintock, the management consultancy. The survey involved interviews with 103 top UK companies and 51 public sector organisations.

About a third of the organisations with no strategy have plans to increase their budgets by over 25 per cent in the coming year. By contrast, 70 per cent of those with a stated strategy expect their spending to grow by less than 14 per cent.

Peat Marwick sees this as "a disturbing trend." The report continues: "Many organisations have learned the hard way that unplanned investment in IT can result in a hotch-potch of under-utilised, incompatible and ineffective systems." It urges companies contemplating such spending to learn from the experience of others and to lay down a proper strategic framework.

Company accounts remain the principal application of computing. Other areas, such as buying and distribution, came low on the list. The survey also revealed that that 44 per cent of companies have made no attempt to quantify the benefits of IT investment.

Simulations for road safety

AT THE UK Government's Transport and Road Research Laboratory (TRRL), an aluminium honeycomb "face" and a man with steel ribs are two of the simulations used by technologists to test car safety. The "man" is known as Sid (side impact dummy) and he has already taken part in 40 simulated accidents at TRRL.

Sid's repeated batterings have led to important findings about side-impact accidents. Merely strengthening the sides of cars and increasing door padding will not minimise the injuries from this type of collision.

The cars which protect their occupants best when rammed sideways are those which are constructionally weakened in defined ways. If the sill and bottom of the door are too strong, the side is pushed in at the top, breaking ribs and rupturing organs in the chest. If the bottom is too weak, the occupant's pelvis suffers. The aim of the work, says TRRL, is to make the door fall into the passenger compartment vertically, spreading the impact evenly.

Even with seat belts, the driver's head can suffer a bad impact on an unpadded steering wheel, producing serious facial injuries and brain damage.

Although TRRL has designed a wheel which "gives" under crash pressures, lack of a standard test seems to have deterred manufacturers from designing and fitting their own versions.

So TRRL has developed a mechanical face which simulates the crush characteristics of a real face. In tests, this gives a consistent indication of how safe a steering wheel will be in a crash.

CONTACTS: Next Technology: UK, 0223 421180. Spicer and Oppenheim: London, 480 7766. Bérénice: France, 5575 6818. Peat Marwick McLintock: London: 236 8000. TRRL: UK, 0344 773131.

CINEMA

Knockout stuff

BROKEN NOSES
Bruce Weber

LITTLE VERA
Vasily Pichul

SING
Richard Baskin

WATCHERS
John Hess

WAXWORK
Anthony Hickox

THE BLOB
Chuck Russell

Cinema can be seduction. Five minutes into *Broken Noses*, I wondered why I was having to watch, in grainy black-and-white photography *resembling early Leni Riefenstahl*, an interview with a garrulous young boxer who had a hysterical laugh, a roomful of trophies and a telephone shaped like a duck. Five minutes later, my feelings had changed. I was mentally ordering a duck telephone, admiring the trophies and falling for the hysterical laugh.

The subject is a little-known American lightweight, Andy Minsker. The film is the movie debut of commercial photographer Bruce Weber (of the Calvin Klein ads). Sputtering into Britain two years after it was made, it has so much charm it beguiles you into loving subjects you might never normally touch. The songs of Chet Baker (sorry, but not on my musical map) ooze over the soundtrack: the life story of a professional pugilist who now trains aspiring teenage bruisers in Oregon detonates over the screen.

As the opening "crawl" informs us, Weber's fame as a *macho-appeal photographer* won him a job snapping young Olympic hopefuls for Andy Warhol's *Interview* magazine. When he was bundled off the project by the boxing federation after photographing one boxer in ultra-skimpy trunks (the boxer's idea not his), a consolation prize appeared in the shape of Minsker. Minsker turned up, wanted to be filmed, was un-fazed by Weber's reputation, and soon became the star of an 80-minute documentary like no other you have seen. Minsker and his story are the American Dream seen through the wrong end of a *kaleidoscope. Impossible, you* would suppose, to resemble Jack Palance and still be an Adonis. Impossible to witter on in a spaced-out, giddy gurgle about life, girlfriends, boxing and a broken childhood (he was farmed out to foster-parents after being beaten by his real ones) and still have star quality. But then we live in the *age of Rain Man*, when heroes who should not be charismatic just are charismatic.

Weber's visual style favours *see-saw angles and an* exploded, pointillist monochrome with brief interludes for home-movie colour. Clearly *besotted with his subject*, he follows him through training sessions with his snaggle-toothed tyros, steers him into emotional tête-à-têtes with his ex-boxer father and estranged mother, and even plants him in the middle of a rose garden to recite the "For God's sake let us sit upon the ground" speech from *Richard II*. (Could that be a tear Minsker wipes from his eye or just a greenfly?)

The lyrically deranged images – slow-motion, speed-*ed-up, underlit, overlit – are* accompanied by a soundtrack mixing tinselled golden-oldies ("They tried to tell us we're too young") with ballads from the said Chet Baker. The late Mr Baker, rebel, misfit and jazz musician (and the subject of Bruce Weber's newest film *Let's Get Lost*, due among us *soon), was a physical dead* ringer for Minsker and is a longtime idol of Weber's. *Broken Noses*, in short, is a hall-of-mirrors where, rather than pursuing an elusive straight-and-narrow, you can and should get happily lost amid the illusions and allusions, mirages and duplications.

*

"The revolution the Russians never expected" fanfares the poster for *Little Vera*. Directed by Vasily Pichul from a script by Maria Khmelik, this is the film that shocked a nation by showing that not all families in the USSR are sober, hard-working, tractor-driving Marxist units. Some families – like this one – have terrible parent-child tensions, quarrel over sons-in-law and drown their sorrows in Beefeater Gin. (Some major product placement here.)

All because Vera (Natalya Negoda) is a hoyden with loose morals, streaked hair and by *my calculation only one* change of wardrobe per week. (That pretty red and white blouse gets an awful lot of wear.) *She falls* for handsome Sergei and gets pregnant by him. But his brutish manners alienate her parents, and on Dad's birthday night, sometime after his nineteenth glass of gin, the two men row and Sergei gets stabbed with a knife.

Now view on . . .

The whole movie is like a soap opera made from plainest carbolic. Moments of cleansing satire and candour – the frayed Aids leaflet on the wall of Sergei's love-nest, a frank *sex scene, Vera's ideological* mickey-taking ("We have a common goal, Sergei, Communism") – surface from long stretches of sudsy narrative. At 130 minutes, the movie is 30 longer than it should be.

Furthermore, now that Soviet cinema under glasnost has at last ventured into no-go areas relating to sex, family unity and alcohol intake, how about some honesty on more quotidian matters? I have yet to see a shopping queue in a *Russian film: although it is fair* to suppose that Vera's family, which seems to get through enough food to feed a village, would spend at least as much time standing on the sidewalk each day as quarrelling in the kitchen-dinette.

*

Many of you have wondered why the weekly tally of new releases has soared from an average four-to-five to six-to-eight. The reason is, we live in the video age. Brain-dead entertainment like *Sing, Watchers* and *Waxwork*, that would normally have lain on dusty shelves or fallen with a *dying shriek into* the TV schedules, now reaches cassette form via a publicity-gathering Press show and quick cinema release.

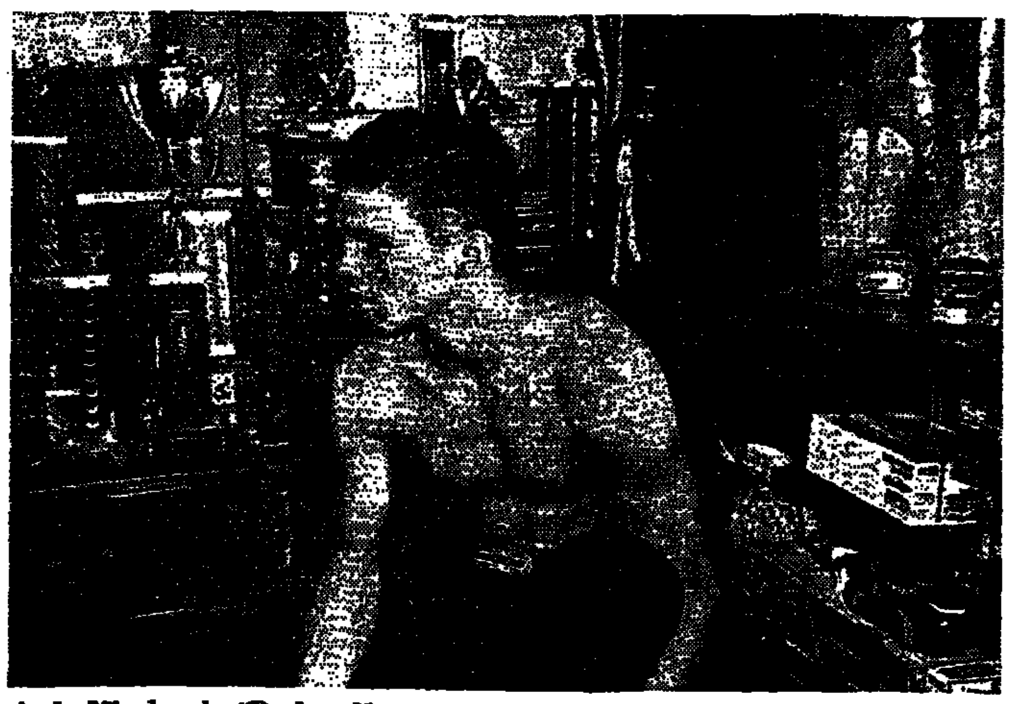
After seeing the above three films in one day, most of my colleagues resembled survivors from Ypres. Blank of gaze, blanched of feature, they stumbled blindly towards the nearest *tube strike. Due to a* caprice of the distributors, the *Sing* screening began 30 minutes later than scheduled. So I *left it – partly because I had* to – 30 minutes early. This still meant punishing myself with an hour of a direly-plotted "Let's put the show on" musical, set in a Brooklyn school, that makes *Can't Stop The Music* seem like *Don Carlo*.

In *Watchers* a mutant grizzly bear escapes from an army genetics laboratory and spreads terror across small-town America. "This thing has sasquatch written all over it" volunteers an observer. I have *no idea what he is talking* about, but then neither did he seem to or the rest of the cast. Dottily scripted, dazedly directed (by John Hess), this film has video fodder written all over it.

Waxwork is the tale of several teenagers hurled into the fourth dimension by a waxworks show run by David Warner. Some die, but not enough to shorten significantly the film's running time. I welcomed Patrick MacNee as a wheelchair-bound British explorer putting the ghouls to the sword in the last scene. But by that point one would *have welcomed almost* anything.

You are better off with *The Blob*. I caught up with this $30m sci-fi romp at my local Cannon, having being been kept from the original Press show by service abroad (Cannes). Unlike the above movies, it moves. Kevin Dillon, Shawnee Smith and other *small-town denizens fight* the gelatinous mess of the title – marvellously animated by the Special FX team – and notch up the *appropriate* number of screams. Characterisation is scanty, as in the famed 1950s original, but the story and action have sound, fury and panache.

Nigel Andrews



Andy Minsker in "Broken Noses"

Abingdon Square

SOHO POLY

Very white, very Jamesian, is this evening of abstract nuance and suppressed emotion directed by Nancy Meckler for the Soho Poly in conjunction *with her own Shared* Experience company. Stooping to the resilient fringe basement behind Broadcasting House, you discover a sleek tundra of painted furniture and inset vases of flowers (designed by Lucy Weller) that suggests a Philip Prowse stage environment in miniature.

So far so good. Then the play starts. *Abingdon Square* by Maria Irene Fornes (a 54 year-old Cuban who runs a Hispanic playwrights' workshop in New York) is a rather precious concoction of elements in Henry James's *Washington Square* and *Portrait of a Lady*. An old businessman, Juster (Philip Voss), has married a 15 year-old surrogate daughter, Mar*ion. She bears a child by a vis*iting workman who resembles a lover she met by lamplight in Abingdon Square.

Deliberately, it seems, Miss Fornes withholds information about her characters in order to entrap them in some crepuscular psychological choreography. This is fine for as long as the staging holds our attention, but not for much longer. At the same time, we work backwards and sideways into the story while Voss's Sloperish paterfamilias presides over fragmentary, incontinent eruptions of emotion.

An old aunt (Helen Blatch) sobs uncontrollably for a few minutes to signify the wedding. Marion (Annabelle Apsion) tunes in to a troilism scandal. Her step-son and soulmate (deftly played by Pearce Quigley), inducts her in fashionable dance steps while Juster benignly retreats. Juster sings later – Juster song at twilight – and subsides into a coma after shooting a gun at no-one in particular.

The clothes and hairstyles are not good enough to carry the attempted style, and the textual information remains *irritatingly evasive*. The action is supposed to be set before and during the First World War but, beyond one military costume, the historical frame of reference is as shaky and nebulous as the psychological one.

I admire Nancy Meckler's intention of investigating style through the minutiae of reaction and response. Philip Voss's performance is one of the finest displays of venomously controlled and detailed *expression you could hope to* see. But the evening has little meritorious substance; the play evaporates before you have regained street level.

Michael Coveney

La Rue où l'Eléphant est Tombé

GREENWICH BOROUGH HALL

To look at the Greenwich festival programme – 52 pages of it packed to the gunwales with events ranging from sub-aqua to songs of praise, barn dances to community bun fights – one would assume that the entire population of South-East London was out on the razzle. Perhaps it is, but one place it wasn't on Tuesday night was at the unlovely borough hall to welcome this fascinating Franco-Zairean troupe, directed by Jean-Michel *Bruyère, to the British stage* for the first time. This was the sort of turn-out which gives programmers nervous breakdowns – complete with a school hall acoustic that ricocheted every sound around what could so easily have become l'Eléphant's graveyard.

That it did not was a huge credit to a talented multi-disciplinary group whose theatrical fantasy, as promised, wanders well off the beaten trail of African cultural adventuring: so *far, in fact, that one is tempted* at times to the conclusion that Zaire has drawn the short straw in the collaboration between *Le Centre Culturel de* Kinshasa and France's La Fabrique d'Utopies Fantaisistes. The two excellent percussionists are for much of the evening out-volted by electric guitar and Euro-vocals, although I admit an intrigued ignorance of the mechanics of soukous music.

The recurrent theme in a *show which leaps between* media as freely as it does from *sketch to sketch, is the* European's perception of Africa – beginning with a vividly mimed survivors-in-rainforest sequence, complete with rescue of terrified parachutist from the jaws of a greedy croc by a vine-swinging jungle man, and continuing with a welter of more or less comprehensible images: a blacked up head sings dementedly from the trunk of a tree; two figures, transformed by a black polythene sheath into a single two-headed creature, jabber in a dialect which is scrupulously translated by a diminutive, eager-to-please clown. "Ladies *and gentlemen,*" *she* announces finally on its behalf, "the meaning of all this escapes me."

A true sentiment, possibly, since the power of the show lies not in any sustained body of imagery but in the sheer profusion of it – much of it not obviously connected with Africa at all but with a rich European tradition of alternative clowning. Its huge latex figures recall the mask-work of our own Trestle Theatre, while the the solitary director figure, who dashes eccentrically and enthusiastically hither and thither to no discernible effect, *has a dash of Théâtre de Com*plicité's style, to which the recurrent, witty sequences of bespectacled ouvriers identi*cally clad* in denims and baseball caps add the stamp of contemporary dance. It continues until Saturday.

Claire Armitstead

Pilobolus

SADLER'S WELLS THEATRE

I mistrust the winsome as I would a £3 note. And I know of few theatrical enterprises more determinedly quaint, more acutely cute, more thrilled with the magic of their own *cunning in making funny* shapes with their bodies, than the Pilobolus ensemble.

The stock in trade is musculature *gymnastically* trained to twist and curl, to fall and slither, to impersonate a variety of flora and fauna. For a brief moment, the physical control and the slightly rude improbabilities – what's his face doing *there?* – hold my attention.

Then the repetitions, the absence of a controlling dance intelligence, and the awful determination to win our hearts through contortion, take their inevitable toll *of good critical* intentions.

The lack of formal logic – shape in Pilobolus works can mean closing with an arbitrary repetition *of the opening idea* of a piece – and of coherent dance, as opposed to physical jerks, gives the offerings a peculiarly arid air to this observer.

For aficionados, and those present at last night's opening of the company's latest London season sounded eager and happy, I record that the troupe goes through its paces with undiminished vigour.

The titles of the pieces in this first of two programmes were, of course, quaint – why the solo for Carol Parker, shuffling about the stage and twisting herself into knots, should be entitled *Moonblind* I cannot hazard – and com*prised the proven mixture of* slithering acrobatics, uncertain drama, and popular dance, in this case Rock and Roll and the voice of *Elvis Presley*.

The company has brought back the *Land's Edge* that it showed on its visit two years ago. This features winsomeness by the megaton, with the corpse of a girl that refuses to remain dead, a village idiot, identical male twins who behave as if linked at the hip, and enough narrative questions begged to keep a soap-opera fully occupied for a year.

It also boasts a cloying score, gloom, and a radiant faith in the audience's not racing for the exits in quest of strong liquors as a cure *for incomprehension. The pop* novelty, with a title too long to bother about, proposes frenetic activity as Elvis Presley songs are belted out at us. The men in the cast behave as if falling to the floor and groping at girls' skirts are theatrically fresh ideas.

They were not fresh enough to keep me in the theatre until the piece ended.

Clement Crisp

Sylvia Sass

WIGMORE HALL

Sylvia Sass was given a warm welcome at the Wigmore Hall on Tuesday, understandably. A *strikingly attractive woman*, she wore a frock that made a strong statement, strode on to the stage with the natural com*mand that is one of her great* assets, and basked in the approbation of loyal admirers. If only the evening could have ended there.

But there was also a recital to be got through. The programme was generous – eleven songs each by Liszt and Strauss, which is where the problems began. Miss Sass's German enunciation is extremely individual; vowels are not just covered after the Balkan manner, but distorted too, while consonants come *and, for the most part, go.* The only advantage to such indistinct delivery was that it was barely apparent when she lost *her way and seemed to* be making the words up with, it must be admitted, considerable ingenuity.

The voice itself is not best suited to this modest-sized hall: under pressure the top can be raw and squally, and the pain threshold was approached more than once. The most pleasing part is the slender but lusciously coloured lower register, from which she spins seductive legato phrases – in Liszt's "Es muss ein Wunder*bares sein*", *for one* – and satisfyingly so, always allowing for the fact that breaths are taken when needed rather than when *the sense of the* words allows. As if to compensate for intractable vocal equipment, Miss Sass also illustrates each song with the sort of extravagantly operatic gestures that some people can take and others (*moi*) can't.

The real danger of selecting a long programme solely from second-rate song composers is that there is too much dross amidst the occasional nugget. Did any other composer misunderstand Heine so completely *as Liszt? He* was as *illustrative* a song writer as Miss Sass is a singer; the trouble is that he infallibly illustrated the wrong *things. And was* any other composer capable of producing such cringe-making *schlock* as Strauss's "Ich liebe dich" and "Verführung", both of which Miss Sass sang no better than they deserved. Maybe things looked up with the encores, but I hadn't the strength to find out.

Rodney Milnes

Solti and Perahia

BARBICAN HALL

Georg Solti and the London Symphony Orchestra used to *make a formidably potent* combination. The partnership has recently been revived, but on the evidence of Tuesday's concert, it is not yet restored to former brilliance.

Throughout the programme – Mozart (the C major Piano Concerto, K467) and Mahler (the First Symphony) – there were a sufficient number of palpable small uncertainties, loose entries, wavery moments of ensemble, unbalanced departmental contributions, to suggest a general orchestral hesitancy over the conductor's *beat. Such things stand out* more in a Solti concert, since the conductor's whole approach predicates a kind of hi-tech efficiency; the Mahler performance was the more disheartening for being, on its own (to my ears, dislikable) terms, less than fully achieved.

Solti's Mahler is, as ever, hard-driving – the conductor's age has brought with it neither loss of energy nor discovery of warmth. His delineation of rhythms possesses force but no elasticity; the patterns of the second-movement *Ländler* were *thumped out* with undimmed ferocity (no jolly country dance, this, but a carousal of Brueghel-like grotesques). I heard and felt no real working-out of symphonic processes in this performance; it began, carried on, and reached its close as surface display – of, on this occasion, a somewhat flecked, spotted kind.

The Mozart pianist was Murray Perahia, who endeavoured – on the whole, very successfully – to introduce some musicianly charms and graces into the proceedings. In the *slow movement his "vocal"* phrasing and deliciously spontaneous-seeming addition of ornaments were the work of a highly cultivated and sophisticated Mozartian; he lacks only the ability to convey (as Clifford Curzon so memorably did) the *opera buffa* hilarity of the concerto finale. But, in the circumstances, the countless delicacies and beauties of his playing were like manna.

Max Loppert

Strings on the South Bank

The South Bank Centre in London is seeking a resident *symphony orchestra. Applica*tions from any British orchestra must reach the artistic director, Nicholas Snowman, *by August 31, and a decision* will be made in October. The successful applicant (and there could be a compromise solution leading to a dual residency by two orchestras) will be expected to start in the autumn of 1990, taking over a season with a programme already mapped out with an emphasis on the music of Mozart.

The announcement has been long anticipated. Snowman is determined to make the South Bank the driving force in British musical life and only a well funded house orchestra can devote the time to rehearsing a challenging and varied repertoire. The decision could cause problems for at least two of three major London orchestras – the London Philharmonic, the Philharmonia, and the Royal Philharmonic – whose *London seasons* are based on around 35 performances at the Royal Festival Hall, the South Bank's main auditorium. All three are expected to be the main competitors for the residency.

Mr Ronald Grierson, chairman of the South Bank Centre, has managed to find £500,000 in extra cash to act as a financial incentive for the orchestra. Much of this would go towards additional rehearsals and pay*ing for* the "dark nights" at the Festival Hall that would be the inevitable a result. The orchestra would be expected to play 35 concerts in a season.

The most likely outcome at this early stage is that the Cen*tre, which will be advised on* its selection by an independent panel under Sir John Tooley, will go for a dual residency for the Festival Hall, shared between the LPO and the Philharmonia, with each undertaking 35 concerts and sharing the extra cash. This was a solution *proposed by the two orchestras* five years ago.

The problem with it is that it will not change the South Bank very much. The RPO, and to a lesser extent the LSO, the house orchestra of the Barbican, will still perform there. It might increase the pressures on a merger between the LPO and the Philharmonia, which was proposed two years ago by the former and was greatly resisted by the latter. At the moment the Philharmonia is on a high and the chance of a merger is nil. Undoubtedly the programme, and the playing of the musicians, would be *improved, thanks to the* greater rehearsal time and the adoption by the chosen orchestra of Nicholas Snowman's *enthusiasm* for seasons of music by particular composers, or evoking a particular historical period.

The Arts Council is in favour of the change and it should add a zest to London's music scene *which is much needed*.

Antony Thorncroft

SALEROOM

Sotheby's in New York started to dispose of the magnificent library of H. Bradley Martin on Tuesday night.

A superb copy of the folio of Audubon's *Birds of America*, the most famous bird book ever produced, sold for a record $3.96m (£2.5m).

A.T.

ARTS GUIDE

June 2-8

EXHIBITIONS

London

The Tate Gallery. Cecil Collins and F.E.McWilliam – retrospective *shows side* by side of two senior British artists: Collins a highly idiosyncratic visionary and symbolist painter with a particular interest in the idea of The Vision of The Fool, on which he has also written extensively. Both shows until July 19; sponsored by Ulster TV.
The Whitechapel Gallery. Sean Scully – a selection from the work of the past six years of a painter, Irish born, British educated and now naturalised American. Until June 25, then on to Munich and Madrid.
The Barbican Gallery. 100 years of Russian Art – a *curious exhi*bition drawn from private collections in Russia, itself something of a surprise. Until July 9.
The Royal Academy. *The Royal* Treasures of Sweden 1550-1700. An exhibition that sounds somewhat dry and daunting but is in fact a *wonderful spread of* riches, beautifully presented, trophies drawn from across the whole of Europe in the time of *Sweden's abrubt emergence as* a European power. Daily until June 18; sponsored by Gamlestaden.

Liverpool

The Walker Art Gallery. La France: Images of Women and Ideas of Nation – second showing of the South Bank Centre's bicentennial celebration of the Revolution. Ends June 11.

Paris

Carte Musées et Monuments sold in museums and Metro stations enables visitors to avoid queues at 60 museums and monuments, including the Louvre, Musée d'Orsay and Versailles Palace.
Grand Palais. The French Revolution in Europe. A vast exhibition organised by the Council of Europe tries to situate the French Revolution in the social *and political context of Europe* as a whole. Late opening night Wed. Ends June 26 (42895410).
The Louvre. The glass pyramid, built by I.M. Pei, the Sino-American architect, has opened to the public as a dramatic entrance to one of the world's most famous museums. Erected as a medieval fortress in 1204, the Louvre later expanded into a renaissance royal palace only to be turned into a museum in revolutionary 1793. Open 9am-6pm, Mon and Wed until 9.45pm, closed Tue.
The Louvre. Les donateurs du Louvre. Aptly, the newly refurbished museum inaugurates the 1,200 square metres of space created underground for temporary exhibitions by expressing gratitude for the generosity of donors throughout its existence. 12am to 10pm, all days except Tuesdays. Ends August 21. Entry through the Pyramid, Hall Napoleon, Niveau Accueil.
Galerie Schmit. French masters of the 19th and 20th century. The traditional yearly exhibition in the three-storey town house shows the richness and diversity of the period covered. 396, rue Saint-Honoré (42603636), closed lunchtimes and Sundays, ends July 19.
Galerie Odermatt-Cazeau. Masters of the 19th and 20th century. A large Bonnard – La Place de Clichy – catches the bustle of a Parisian street. 85 bis, Rue du Fbg.-Saint-Honoré (42669258). Closed Sun. Ends July 29.
Galerie d'Art Saint Honoré. 16th and 17th century Flemish paintings. Amid the exuberance of flowers and fruit typical of Flemish still lives, a painting totally different in spirit is the central *piece of the exhibition.* 267, Rue Saint-Honoré (42601503). Closed Sat, Sun and lunchtimes. Ends July 13.

Maastricht

Bonnefanten Museum. The finest of the early Italain paintings in Dutch collections have been gathered together in a show containing works by Duccio, Guido da Siena, Filippino Lippi, Bellini and Carlo Crivelli. Ends July 9.

Brussels

Galerie Tzwern. Aisinber: The Circle of Twenty (1884-1893). The Avant-Garde movement in Belgium. 86 *Rue aux laines*, The Petit Sablon. Closed Mon.

Frankfurt

'Je Suis le Cahier', the sketchbooks of Picasso. This exhibition of 40 sketchbooks and around 200 paintings, *organised by the* New York based Pace Gallery and sponsored by the American Express company, will have its second *stop here in Frankfurt* on the European tour.

Baden-Baden

Kunsthalle, Lichtenthaler Allee 8a. A retrospective of Jean Cocteau (1889-1963) to commemorate the 100th anniversary of Jean Cocteau's birth, the Kunsthalle in Baden-Baden presents the most extensive show of his work ever with around 500 exhibits. Ends July 30.

Cologne

Bilderstreit. Rheinhallen der Kölner Messe, Messegelände. Deutz. The two organisers Johannes Gachnang and Siegfried Gohr, present "contradictions and contrasts as the essential source for the debate about contemporary art". Ends July 2.

Stuttgart

Staatsgalerie, Konrad-Adenauer-Str. 30-32. Salvador Dali: (1904-1989). Stuttgart presents the biggest Salvador Dali retrospective since his death earlier this year, to honour him on his 85th birthday. Ends July 23.

Vienna

Messepalast. A thoughtful exhibition, called the History of the Modern Mind, deals with the works of Sigmund Freud as well as the plethora of artists who grew up in Vienna at the turn of the century. Ends August 6.
Albertina. Try not to become annoyed with the depressing layout, the appalling lighting and the uninterested staff when seeing a wonderful collection of watercolours and drawings by Austrian artists. Ends July 16.

Rome

Villa Medici. Rayman: photographs by Man Ray. Extraordinary series of experimental photographs, including *portraits of* friend and fellow-dadaist Duchamp, of Giacometti, Andre Breton, and a compelling youthful portrait of Picasso. Ends June 11.
Galleria Nazionale d'Arte Moderna. The Sonnabend Collection contains a little of everything, from pop-art with some of the best-known works of Warhol, Lichtenstein, Jim Dine, followed by examples of American minimal art (Flavin, Judd, Morris), to conceptual art. Ends Oct 2.

Venice

Palazzo Grassi. Italian Art: 1900-1945. A much-amplified exhibition covering a briefer period than did the recent show at the Royal Academy in London, organised again by German Celant, with the director of Palazzo Grassi, Pontus Hulten. Ends Nov.

Turin

Mole Antonelliana. Carlo Mollino (1905-1973): his home town pays homage to this eccentric and eclectic architect and designer, much influenced by surrealists such as Cocteau and Man Ray, who waged a constant battle in the 1940s and 1950s against the reducing of modern design to empty conventionalism. Ends June 11.

New York

Whitney Museum. The 65th in *the long series of Annuals and* Bienniales features a large group of lesser-known artists among the 80 represented on three floors of galleries. Ends July 9.
Metropolitan Museum of Art. Goya and the Spirit of Enlightenment explores 160 of the artist's works in relation to his impact on contemporaries and the rationalist modernisation of Spain. Ends July 16.
Guggenheim Museum. More than 100 paintings and drawings by contemporary Austrian artist Arnulf Rainer reveal the unique imagery of a mystic vision translated into an abstract idiom. Ends July 9.

Washington

National Gallery. *More than 160* objects from the Fitzwilliam Museum in Cambridge include paintings by Titian, Guercino, Rubens, Van Dyck and William Blake. Ends June 18.

Chicago

Art Institute. Master drawings from the Teyler Museum, the oldest in Holland, include nearly 100 works of two centuries by Michelangelo, Raphael and Rembrandt.

Tokyo

Suntory Museum. Wall paintings and screens from castles and temples of the Momoyama Period (16th century). Closed Mondays.
Idemitsu Museum. Ceramics from China. Splendid loan exhibition from the Art Institute of Chicago featuring carved ornaments, ceramic water pots and incense burners, and ranging from the neolithic period to the Qing Dynasty. Closed Mondays.

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Fuss about funding

TO FUND or not to fund, that is the question. UK base rates have now risen from 7½ per cent just over a year ago to 14 per cent. The public is squealing and so are Tory backbenchers. Reducing the Government's current purchases of gilts, some critics suggest, would tighten monetary policy without further increases in base rates, an entrancing solution to a vexing political problem.

At first sight, present policy seems peculiar. The Government is sterilising the contractionary effect of its Budget surplus on the money supply by repurchasing gilts from the non-bank private sector. It has been doing this in the name of a doctrine – full funding – whose aim is to avoid effects on monetary aggregates that the Government now believes are of little importance. But if broad money is unimportant, why let funding policy be dictated by the desire not to affect it? If broad money is important, why abandon an instrument – overfunding – for controlling it?

The full funding rule was enunciated in 1985, when the Government had a public sector borrowing requirement (PSBR), not a public sector debt repayment (PSDR) as now. There were two reasons for the shift from the earlier policy of overfunding (the sale of more gilts than required to fund the PSBR): first, the downgrading of broad money targets and, secondly, the difficulties caused by the need to buy commercial bills from the commercial banks (the bill mountain), in order to offset the effects on their liquidity of the sale of gilts to the non-bank private sector.

Fiscal surplus

Now the Government has a fiscal surplus. But is the difference in the situation sufficient to justify a change in policy? Two significant arguments have been advanced for a return to overfunding (which in present circumstances means reduced purchases of gilts); better control over broad money; and a more appropriate structure of interest rates.

Overfunding could, indeed, lead to a reduction in broad money, but only if there were no decline in short-term interest rates (and so no expansion in lending to the non-bank private sector). The non-bank private sector would then end up with more gilts and fewer bank deposits.

One result would be for long-term interest rates to rise in relation to short-term rates, which implies a tighter policy overall. Otherwise, it would prove impossible to persuade the non-bank private sector to hold more long-term and fewer short-term assets. It would only be worth pursuing such a policy towards broad money, however, if control over the deposits of the non-bank private sector were itself a goal and the alternative instrument – higher short-term interest rates – were ruled out.

Corporate borrowing

It is also argued that the rise in long-term rates of interest would be valuable in itself. It would constrain corporate borrowing, encourage inflow of foreign capital and reduce the profitability of "roundtripping" by local authorities, who now can borrow at subsidised long-term rates and then redeposit the money at higher short-term rates.

None of these arguments is strong. The discrimination between personal and corporate borrowing implicit in the present yield curve seems attractive. Capital losses on bonds cannot be the ideal prelude to an inrush of foreign capital and, in any case, purchase of long-term assets does not necessarily imply a long-term commitment to holding them. Finally, subsidised local authority borrowing can just be stopped.

If full funding were to be abandoned, it would have the side benefit of reducing the need to drain liquidity from the banks and building societies through the sales of Treasury Bills. The alternative policy would be to stop sterilising sales of gilts by banks and building societies; total government purchases of gilts would be reduced. This might be a modestly helpful by-product of a change made for other reasons, but it is not worth making the change for this reason alone.

When things are going wrong, people cast around for something else, almost anything else. The present policy has no overwhelming logic behind it. But the case for change must rest either on a decision to return to targeting of broad money or on a view that further monetary tightening can best be secured by raising long rates relative to the shorter ones. The last argument is not very strong. Even if one were to accept the need for targeting broad money, overfunding would be vastly less important than the overall level of short-term interest rates. All in all, this is much ado about not very much.

Pension changes under attack

BRITAIN'S National Association of Pension Funds has reacted with surprising ferocity to the Government's proposal to amend the tax relief available to pension schemes. The reaction reflects the intensity of feeling within the occupational pensions movement over what it sees as a further stage in an undeclared guerrilla war.

The issue is the imposition of a £60,000 ceiling on earnings which, under Inland Revenue rules, can qualify for benefits from an occupational pension scheme. Employees joining schemes in future will not qualify for tax relief in respect of earnings above this cap, which is subject to annual uprating in line with the retail prices index.

Cool treatment

The pensions industry believes it is engaged in demonstrably invaluable efforts to safeguard the security in retirement of many millions of workers and pensioners. So there is much more than mere commercial resentment at the cool treatment handed out by Thatcherite politicians, who regard the paternalism of occupational schemes as outdated and who believe that capitalism will have a more secure future if the savings industry is de-institutionalised. In particular, the Government appears to think that highly paid executives ought to be encouraged to look after their own investment affairs.

To the NAPF, this is a further sniping attack, coming after the introduction of personal pensions. Few existing members of occupational schemes have opted for personal plans, but as many as 10 per cent of newly recruited employees are declining to join schemes now that membership is no longer compulsory. In this latest move, schemes face an attack on their ability to benefit the highest-paid and most senior managers of their companies. The numbers involved are tiny – but these are the decision-makers, and if they no longer regard schemes as lucrative tax shelters from which top managers gain disproportionately, for instance through artificial salary increases just before retirement, their commitment to occupational pension schemes might come into question.

Increased costs

In other ways, too, companies have been required by the Government to modify the terms of their schemes, for instance by improving transfer terms and giving better protection to the deferred pensions of those employees who have left the company. This increases costs, and as time goes by, occupational schemes are less and less determined by the priorities set by top executives, and more and more by external rules. At some point, companies may begin to decide to close their schemes and direct their employees into personal plans instead. The NAPF must fear that the Government would weep only crocodile tears at such developments.

This may be just fevered imagination. But there does appear to be a difference on occupational pensions policy between the Treasury and the Department of Social Security. The NAPF has therefore jumped to the conclusion that the decision to link the £60,000 cap to the RPI rather than to the earnings index, which rises some 2½ per cent a year faster, amounts to a sneaky attempt to impose a gradually falling cap in real terms, despite a promise by the Chancellor in 1985 that he would not impose fundamental changes without consultation.

In principle the idea of the cap has merit. But the occupational pensions movement is entitled to learn the truth about who is really setting policy on pensions and why the cap has been imposed in this particular way.

Roderick Oram on McCaw's bid for LIN Broadcasting

Top of the 'pops'

Like a guerrilla leader mocking the rules of war, Craig McCaw has launched what is likely to prove the last big battle for cellular telephone territory in the US.

When the war began a few years ago nobody gave independents like the 39-year old Mr McCaw any chance against the huge, entrenched conventional phone companies making up the Bell system.

But he has built McCaw Cellular Communications into the largest licence holder in the US through aggressive dealing, taking strategic stakes in competitors, selling a 22 per cent stake in his company to British Telecom, and massive debt. The company's current territories cover 50m people – "pops", as the industry calls them – compared with only 30m for Pacific Telesis, the second ranked player and the largest Bell company in the cellular business.

The grand prize of large metropolitan areas, vital to ensure lasting strength against the Bell companies, has so far eluded Mr McCaw. To remedy this, he has plotted for more than a year to take over LIN Broadcasting, a New York competitor holding the crown jewels of cellular communications – part-ownership of licences in New York, Los Angeles, Dallas, Houston and Philadelphia, five of the top 10 US markets.

Having watched him relentlessly close in on his target, there was no surprise on Wall Street when Mr McCaw finally launched his $120 a share, $6.5bn (£4.1bn) offer for LIN late on Tuesday. Though only an opening shot in what promises to be a long, bloody and escalating battle, the price greatly increases the stakes in cellular communications.

It also makes BT's purchase of a stake in McCaw Cellular, announced in January, look astute. BT agreed to pay $41.50 a share when McCaw was trading at $29; yesterday it rose $2¼ to $45¾ and BT does not hand over its $1.5bn for its McCaw Cellular stock for another week or two.

Other people share Mr McCaw's soaring vision of cellular telephones as the communications medium of the future. With Washington issuing only two cellular licences in each territory – one for conventional phone companies and one for independents – the wheeling and dealing has reached giddy heights.

Only three years ago, McCaw Cellular was still able to buy licences for smaller, less attractive metropolitan areas for well under $10 per pop. BT bought into McCaw in January at $140. The McCaw bid values LIN's licences at about $275-$285 per pop.

Mr McCaw has deployed a three-step strategy to tackle LIN, a small company which generated last year net profits of only $82.1m on revenues of $225.5m. In addition to its cellular operations, it has broadcasting and publishing operations worth about $1bn:

First, Mr McCaw accumulated between April and September last year a 9.83 per cent stake in LIN, buying 5.04m shares at an average of $51.12 for a total of $257m. Even if the bid fails, McCaw Cellular could triple its money in LIN.

Second, he needed to round up the money for the full bid. Wall Street had flocked to finance McCaw Cellular with an initial public offering of 10m shares at $21.75 a share two months before the October, 1987 Crash. It had also provided close to $2bn of debt. Rather than turn to those sources again, he struck the deal with BT. At the time this looked remarkably generous to McCaw Cellular.

Wall Street has no doubt Mr McCaw can now manage the LIN bid with a combination of the imminent cash $1.5bn infusion from BT, some $500m of cash and marketable securities already on hand and a big increase in his company's largely untapped $1.5bn line of credit. It seems highly unlikely, at least in the immediate future, that BT will have to stump up more cash in a further stock issue.

Third came the bid itself. LIN's shares soared $23⅞ to $127 yesterday as investors eagerly anticipated a big fight for the company.

The direction it will take is far from clear but analysts instantly mapped out several possibilities. The most obvious is that regional Bell operating companies such as Pacific Telesis, BellSouth, Southwestern Bell or US West will join the fray to stop McCaw Cellular taking a commanding position in the business. After LIN goes, there are only a few very small fry left to buy.

But a number of big problems arise for the Bell companies. Each already has a cellular licence in at least one of LIN's cities. They would be barred from acquriring the other licence for each territiry, intended for independent, cellular companies. One way round the obstacle would be for the Bells to bid jointly for LIN and carve up the territories between them – leaving, in some cities, competing Bell companies holding the two licences. The complexities of such a joint bid would be daunting.

In addition, the conventional phone companies are prohibited from owning cable or broadcast television and radio stations, although Pacific Telesis is currently challenging that. Theoretically, the Bells could buy LIN and spin off its broadcast assets. But LIN recently launched a plan to divide itself into separate cellular and broadcast companies, throwing up complex tax and accounting issues for bidders.

Above all the Bells face some horrible financial problems. The interest expense and amortisation of goodwill of a LIN takeover would cost any of them at least $400m in the first year. The bite would, for example, knock roughly $1 a share off Pacific Telesis's earnings per share.

This issue goes right to the heart of the difference in the rules of war for Mr McCaw and the conventional phone companies. The stock market values McCaw solely on future cash flow and asset value, not on earnings and dividends. (In the first quarter ended March it had a net loss of $43m on revenues of $102m).

The Bells are valued for their current or imminent earnings and dividends. The widows and orphans who are big holders of their stock would be horrified if the companies began playing the same financial game as Mr McCaw.

"Nothing's impossible," said one analyst yesterday refusing to rule out altogether a bid from one or more Bell companies, but the odds look long.

If the Bells fail to pick up the gauntlet Mr McCaw has thrown them, LIN itself might prove a worthy adversary. Its management has seen the McCaw threat looming ever larger and might be prepared to launch a quick auction of its cellular licences on a piecemeal basis.

The most likely buyers are the partners who have stakes in all five of its properties. Many of them might be able to exercise rights of first refusal. Other buyers run the gamut of all the other cellular players from the Bell companies themselves to McCaw.

Such a divide-to-survive strategy would leave LIN as an even smaller company but one holding some attractive broadcast assets.

Still, Mr McCaw is in with a good chance of getting some if not all of the major metropolitan territory he needs on which to build his cellular empire. Ultimately his company could rank alongside the regional Bells in sheer size and power in the overall telecommunications field.

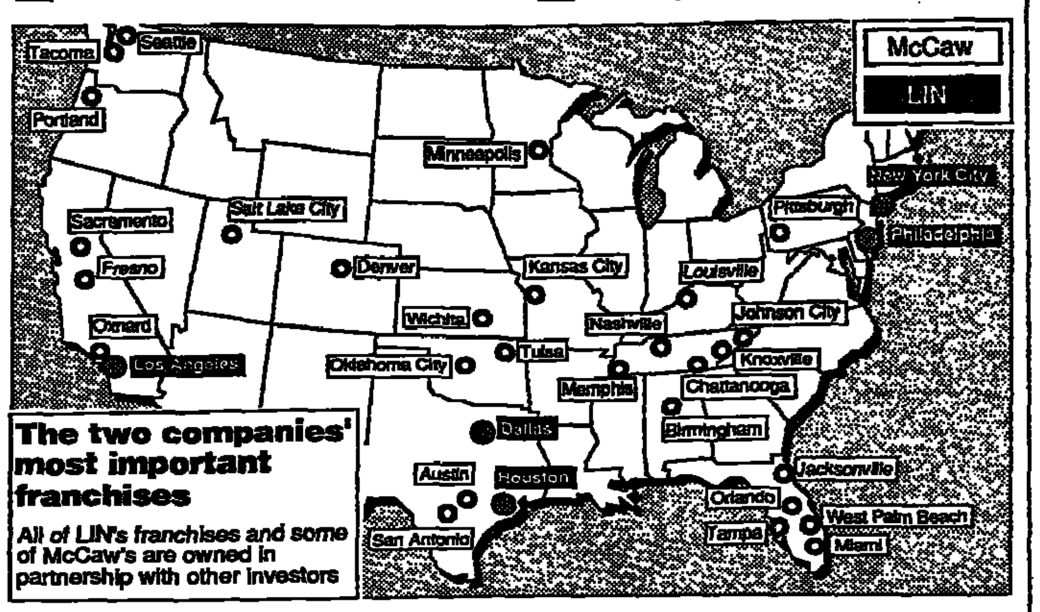
It has been a long quick trip so far for him. His father, Elroy, had built up a small group of radio and television stations in the Pacific north-west. But his father was a poor manager and the company was in deep debt and disarray when he died in 1969. Craig McCaw soon took over, paid off the debts and began building the remaining asset, a 7,000 subscriber cable television system, into a nationwide operation.

He began acquiring cellular licences in the early 1980s but by 1987 realised he did not have enough money to develop both cellular and cable assets. He sold the latter to Mr Jack Kent Cooke, the Washington DC investor for $755m.

If Mr McCaw locks up enough cellular territory, he, like all the other players, faces the huge task of populating it with subscribers. The values his LIN bid places on the licences can only be justified, analysts believe, if subscribers grow to about 5 per cent of the population within five years.

So far even in the best markets they barely exceed 1 per cent, with the average subscriber running up a bill of some $100 a month. To ensure an adequate growth rate, cellular companies like McCaw are going to have to offer much wider, higher quality and cheaper service. Typically, a basic portable phone still costs $700 and local call rates are equal to long distance ones on conventional phones.

As in any costly battle for land, it will take a long time to see how profitably it can be cultivated.



The two companies' most important franchises

All of LIN's franchises and some of McCaw's are owned in partnership with other investors

BOOK REVIEW

Myths and realities

SWEDEN: Social Democracy in Practice
By Henry Milner
Oxford University Press £25

Sweden is one of those countries which arouses deeply divided emotions among outsiders. To many on the left the country is the egalitarian idyll par excellence. On the right it is a totalitarian state at worst, a deformed market economy at best. Thus for most foreigners Sweden is either love affair or nightmare.

Henry Milner, a Canadian professor of political science, is the latest visitor to the country who stares in uncritical admiration at its success as the paradigm of social democracy. His interesting book seeks to explain what he calls the "Swedish paradox" – how the country combines economic efficiency in an internationally competitive world with a sense of equality based on common shared values of co-operation and compromise.

In his opinion the reconciliation of equality and efficiency stems from the fact that the two concepts are regarded in Sweden not as contradictions but as complements. Indeed he argues that "the institutionalised social solidarity" in the country provides the essential precondition for Sweden's relatively impressive economic performance.

His chapters on collective bargaining with its wage solidarity, the dynamic labour market strategy and industrial democracy cover rather familiar ground but they provide some interesting information to buttress the central thesis. Dr Milner is shrewd enough to pinpoint the importance of adult education and training in the success of the Swedish system and the high rate of industrial investment in research and development where the crucial link between companies and higher education is also emphasised.

Moreover, the author hits a nail on the head when he discusses the extraordinary extent to which Swedes belong to organisations not just in the workplace but in every facet of their lives such as residents' committees and adult education groups. He believes rather more questionably that the Swedes are not "mere consumers" but are active, cultivated citizens sharing a broad common culture based on better standards of education than it is possible to discover in other Western societies.

Dr Milner lived in Stockholm for about 12 months in 1985-86. He did not learn the Swedish language and although he provides generous acknowledgement to many knowledgeable Swedes in his preface, there is no evidence in the book that he used their thoughts and insights in his analysis.

As a result, his book plays insufficient attention to a number of important trends that have become predominant in Sweden during the 1980s as the country, with its rather formalised social institutions built on co-operation and consent, has had to come to terms with increasing contacts at all levels with the European Community.

It is always necessary in Sweden to distinguish the realities from the mythology. The rapid deregulation of the country's financial system with the forthcoming abolition of foreign exchange controls, the proposed tax revolution to shift the burden off incomes and on to capital and services, the new emphasis on personal initiative, the spread of localised wage bargaining and worker share ownership reflect an important and popular tendency of individualism that is putting enormous strain on the older collectivist values described by Dr Milner.

Moreover, the high-minded popular culture that he believes dominates Swedish consumer tastes needs to be set against the evident enthusiasm of many Swedes for American popular entertainment – what Dr Milner would no doubt regard as vulgar commercialism. The nightlife of Stockholm may look tame by New York standards but the view from Café Opera or the Galaxy club does not suggest many young Swedes spend their leisure hours in study circles, though no doubt in the rural backwaters there is a more intellectual climate.

In short, Sweden is very much part of the Western world whose people have more money than others to spend on the good life. No doubt, most Swedes like the cosy security of the social democratic "People's Home" but they are not immune to what Dr Milner calls the "get rich quick and buy happiness culture."

The book tends to play down genuine worries in Sweden about the economy's future. By international standards the country is suffering from low productivity and high unit labour costs. Its business success depends on the well-being of a range of big multinationals in heavy rather than high-tech industry, which already make most of their profits from their overseas operations

Too many foreigners write about Sweden as if the country were a young, glamorous blonde who has to be saved from old age through constant flattery. In fact, Sweden is a living, dynamic country that is going through a period of rapid change under the stimulus of external economic forces beyond its control. The really interesting question is just how much of the social market economy highlighted by Dr Milner will survive through the 1990s.

Robert Taylor

OBSERVER

Späth in the wings

■ If Lothar Späth does succeed Helmut Kohl as West German Chancellor, Margaret Thatcher is likely to find the new man even more of a handful than the old. The reason is simply that Späth is much more dynamic.

Späth is the Prime Minister of Baden-Württemberg, which must be one of the few parts of Europe to have a trade surplus with Japan. Although he has held the office since 1978, he is only 51. As Kohl's fortunes fall – the next test will be the elections to the European Parliament on June 18 – his Christian Democrat Party must be increasingly tempted to turn to the man from Stuttgart.

Späth gave a speech at Chatham House yesterday about prospects for the Federal Republic in the 1990s. He foresees the withering away of the nation state as we have known it by the end of this century. "The status of a world power," he said, "is increasingly determined by its economic and technological prowess, less and less by armaments and strategic military plans."

The members of the European Community, he went on, must sacrifice some of their sovereignty and expand the power of the European Parliament. They must share not only the burden of defence, "but also the burden of co-operation with the East."

In answer to questions Späth said that his priorities were freedom and democracy, the western alliance and German reunification in that order. He left little doubt that reunification was now coming on to the agenda.

As well as stressing science and technology, Späth has more than a touch of green. For those reasons Mrs Thatcher ought to respect him. What she will find, however, if he becomes Chancellor, is that she will be dealing with a decisive German – quite different from Kohl. One other trait she may admire: Späth says he does not like coalitions.

Mr Critchley

■ Julian Critchley, the irreverent Conservative MP for Aldershot, won the biggest cheer of his parliamentary career in the Commons yesterday. He stood up and took a bow when Bruce Grocott, Labour Member for The Wrekin, stated that only four Tory MPs who have been in the Commons since 1964 have not been awarded knighthoods.

Quiet strike

■ There is already a national dock strike. It is in France, where the ports have been closed since Sunday. The communist CGT trade union, which called the strike, claims that 95 per cent of the dockers are supporting it, though in Paris hardly anyone is aware of it. Even L'Humanité, the communist daily newspaper, devoted only two sentences to it yesterday on its regular "Struggles" page.

"I have to say that we are so used to this kind of thing that we are pretty blasé about it," commented one shipper.

Not being an island is a comfort. A vessel that cannot be unloaded at Marseilles can go to Genoa instead, while northern ports like Le Havre – much less affected by the strike than the Mediterranean coastline – can see traffic moving to Rotterdam.

"We do get a certain amount of diversion during these strikes, but most of those who are likely to move transferred years ago because they found French ports so unreliable," said another shipper.

Perhaps the worst affected are the Corsicans, already reeling from a lengthy and almost general strike in the spring which stopped all forms of transport to and from the island. Shipping between Corsica and Marseilles has been almost completely halted since Sunday.

In Paris the hardship is less. There are still bananas on the supermarket shelves, and although a few truckloads of Spanish strawberries have been burnt at the frontier by angry farmers, the French crop is coming in: in time for the tennis championship at Roland Garros.

"I wonder how many 40 tonne trucks it would take."

Minutiae

■ The Building Societies Commission's harsh words about Abbey National have propelled Michael Bridgeman, the commission's head, into an unaccustomed spotlight. In many ways, Bridgeman is a quintessential Treasury mandarin, having worked at the Treasury for 25 years before his translation to the commission's offices in 1981. He rose to under secretary. His wife is an under secretary at the Department of Transport.

Colleagues remember Bridgeman as "charming but scatty." "It was in his time that the Public Sector Borrowing Requirement rose temporarily to 20 per cent of GDP," recalls one of them. He has an outstanding mathematical mind, and an obsession for detail which has sometimes been his undoing.

His memoranda are legendary for their complexity. One senior minister is said to have scrawled at the bottom of one of them: "I am surprised that this man found his way to the office this morning."

In the building societies world, Bridgeman is known as "the Headmaster" and viewed with awe tinged with less generous emotions, many of them triggered by his addiction to detail. Last autumn he wrote to all building societies warning them that the words "building society" must appear beside their names wherever they were publicly displayed.

The order made some societies groan at the expense involved, particularly Abbey National which had dropped the building society label from its publicity years before demutualisation came over the horizon.

Abbey National's transfer statement, which incurred such flak from the commission on Tuesday, came under similarly minute scrutiny. The commission is understood to have had sight of 25 draft texts before the final document was arrived at – though it seems to have confined its comments to formal criticism of technical details, reserving its views on Abbey National's presentation of the flotation case until Tuesday's counterblast.

Up market

■ A reader recently in California reports that a shop near his hotel that used to be called "Art's Grocery and Delicatessen" has been renamed "Cullinary Art's."

ECONOMIC VIEWPOINT

A partial victory for market reformers

By Samuel Brittan

The Organisation for Economic Co-Operation and Development has long been keen on what it calls structural reform. One reason its publications on the subject have not attracted the attention they deserve is because they have been written in a strange language called OECD-speak. The use of OECD-speak is explained only *partly by the need to* avoid a veto from any of the 24 member nations.

Nevertheless this year's OECD Report, Surveillance of Structural Policies, is more informative than usual for two reasons. First it is accompanied by helpful charts and tables, which provide a quick glimpse at what has actually been happening. Second, by fortunate coincidence, the OECD *Director of Economics*, David Henderson, delivered the 1989 Annual Lecture to the Institute for Fiscal Studies, (180, Tottenham Court Road, London, W1P 9LE) entitled A New Age of Reform, which gives a very readable personal assessment of successes and failures, *only a few days* beforehand.

Henderson takes the bull by the horns and talks about market-oriented policies. Admittedly there are some areas, such as industrial training in the UK, where a greater government role may be called for. But even here intervention can go with or against the grain of the market. (Training vouchers would be an example of the first; restrictive entry qualifications, the *second.*)

The switch to more market-oriented policies is, as Henderson remarks, largely a pragmatic reaction to disappointment with the results of previous policies. One piece of evidence here is the labour productivity trends in the business sector, tabulated by the OECD. These give an indication of underlying growth, relatively undistorted by short-term business cycles influences.

For the OECD as a whole, 1973, the year of the first oil price explosion, marked a watershed. Productivity growth throughout the OECD more than halved in the remainder of the 1970s; and there was no recovery in the *1980s. The pre-1973 period* remains a Golden Age, little though we knew it it at the time.

In no leading country has productivity growth returned to Golden Age rates. But there are still interesting differences. Both the US and the UK experienced *particularly severe slow*downs in the 1970s and a recovery in the 1980s (dated from the cyclical peak of 1979).

The British recovery in the 1980s has been sharper than the American one; and British productivity growth since 1979, averaging 2.4 per cent per *annum, has been at roughly* the same rate as that of Germany and France. But the UK growth gap has been closed entirely by France and Germany slowing down. UK industrial output per person remains about 20 per cent below that of these two Continental countries.

If the whole of the last 30 years is taken as a unit, British performance was actually below average during the Thatcher period. But if the post-1973 period is taken as a new era, then the Thatcher era represents a real improvement, although one falling well short of a miracle. (On either basis, I would not make much of the 1985-88 UK slowdown, which is due either to the economy com*ing up against capacity limits* or the notorious distortions which have crept into British statistics.)

The whole table is inevitably backward looking, and probably underestimates the underlying improvement to be expected in most European countries under influences such as deregulation, the impetus of 1992, greater profitability and investment, and less tangible forces such as the partial rehabilitation of the profit motive and the erosion of union power and labour market distortions.

Inevitably, the emphasis of the OECD is on areas where improvements are still needed. Two obvious areas are trade and agriculture. For example, non-tariff barriers were esti*mated to cover 48 per cent of* OECD imports in 1986 compared to 25 per cent some 20 years earlier. Gatt has identified over 270 voluntary export restraint arrangements, of which some 70 were initiated, reviewed or extended in 1987-88. Industrial subsidies are *estimated to average 2 or 3 per* cent of GDP. Agricultural support has risen from the equivalent of an average producer subsidy of 31 per cent in 1979-81 to 45-50 per cent in 1986-88. Transfers from consumers via rigged prices are much higher than fiscal subsi*dies such as those coming* from the Community budget.

The OECD has set itself worthy goals for the years ahead with an emphasis on mutual surveillance, quantification and analysis of the effects of various distortions. But how can a non-executive interna*tional organisation like the* OECD be affective in a subject like structural adjustment? The name lacks headline appeal. The content lacks crisis immediacy, and when spelt out in cruder terms, such as lower wages in problem industries and areas, or the withdrawal of industrial subsidies or farm price supports, is deeply unpopular.

Simply to say that growth would be higher if the adjustments were made is hardly adequate — especially when conventional economic calculations show only fractional percentage point changes for most of the canvassed reforms, including even "1992", when the sums are done without hype. Already-rich nations may well respond by settling for a quiet life.

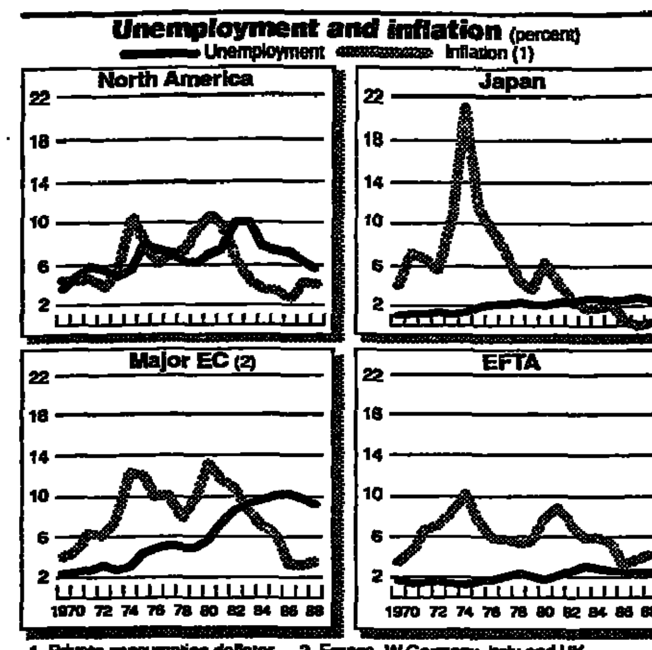
One way to stir things up is to bring out the connection with current arguments about the international trading rules — both within the European Community and between the chief power blocks. The main sufferers from a subsidy or quota to protect the French motor industry are French citizens. But their best defenders are likely to be governments of other countries anxious to safeguard their own producers from foreign cheating.

There is also a moral dimension. Free and undistorted markets have been opposed not only by interest groups and economic ignoramuses but by a long line of thinkers from *Wordsworth and Ruskin* onwards, who have have believed that they encourage selfishness and greed. I have discussed this aspect in my recent Mais Lecture.*

In fact the interventionists do not have all the best moral *tunes, and there is nothing* particularly attractive about a sleazy society in which the prizes go to those who invest most in the right political contacts.

But at the end of the day it is fear of instability and upheaval — episodes such as the UK three-day week of 1974, or the 1979 Winter of Discontent, or the social impact of Europe's jobless — which may do most to impel reform. If countries are seen to be risking domestic instability by suppressing or distorting vital markets, including the labour one, they will be more likely to take reform seriously than if they are simply losing some possible material progress.

Unemployment and inflation (percent)



1. Private consumption deflator 2. France, W.Germany, Italy and UK
Source: OECD Secretariat estimates

Business sector productivity growth*

	Up to 1973	1973-79	1979-88
US	2.2	0.9	1.1
Japan	9.7	3.9	3.1
Germany	5.0	3.6	2.3
France	5.8	3.1	2.4
UK**	3.5	1.1	2.4
Italy	6.9	2.3	1.7
Canada	2.8	2.3	1.5
OECD total	4.4	2.0	1.7

*Average annual percentage growth rate of volume per employee
**Excluding oil and gas extraction
Source: OECD

One graphic expression of such threats to stability is stagflation — an ugly word for an ugly combination of high unemployment and inflation. Here international differences are paramount. The two parts of the world which emerge best on the stagflation test are Japan and the European Free Trade Area. In both unemployment is still little higher than 2 per cent, even though inflation has been largely overcome.

The EFTA countries are of course dominated by Scandinavia, Austria and Switzerland, well known for their corporat*ist centralised wage-setting* institutions. They are also very small countries, highly open to international trade, which may be just as relevant. Japan has its own unique cultural and labour market institutions.

It can hardly be said, however, that the US has a major stagflation problem. American unemployment has been falling throughout most of the 1980s and is now back to pre-1973 *levels, even though inflation,* too, has also been on an irregular downward trend.

The snag about the US — which has a relatively flexible labour market in which workers can price themselves into jobs at low wages — is that what other countries experi*ence as unemployment is* expressed in the US as a poverty problem instead. Stagflation is now largely a European Community problem — which does not mean that it is caused by the existence of the Community.

The chart shows that if France, West Germany, Italy and the UK are taken together, they continue to experience historically very high unemployment levels. This cannot *be blamed onto the transitional* costs of reducing inflation. For inflation stopped falling some time ago and has recently been rising slightly again. The smaller Community countries have far higher unemployment rates still, mainly due to the inclusion of Spain and Ireland.

Community countries are probably reacting with a lag to supply side reforms. UK unemployment might weather even a hard anti-inflationary landing without returning to the jobless peaks of the early and mid-1980s. West German unemployment, which has fallen below two million for the first time in seven years, looks set for a longer term improvement. In France the economic reforms have been more recent *and the unemployment* turnround correspondingly later. As for Italy, the return flow of former emigrants is a better guide to the labour market than any official statistics. But in no country has enough progress been made to opt for a quiet life and to drop market-promoting reforms.

**A Restatement of Economic Liberalism (City University Business School, £1).*

Resurrection of central Europe

Leslie Colitt profiles Hungarian radical reformer Imre Pozsgay

A VISIONARY speech on the future of Hungary and eastern Europe by Imre Pozsgay, the Hungarian Politburo's most radical reformer, held his audience in West Berlin spellbound and stunned the east German leadership. Mr Pozsgay spoke eloquently about central Europe, the political region condemned to death in 1939 which seemingly dissolved behind the Iron Curtain in 1948. But he spoke as if central Europe had miraculously survived. "We want to regard my home, eastern Europe, as central Europe and be part of it," he said, striking a chord which resounded among his west German listeners.

Their reaction was understandable. Historically, Germany was an integral part of central Europe — Mitteleuropa — along with *Czechoslovakia*, Austria, Switzerland, Hungary, and Poland too, despite its emotional links with western Europe. Here was Mr Pozsgay, a Communist reformer from Budapest, holding out for Germans the vision of a reborn central Europe. Implicitly he *included east Germany under* its roof, and spoke of the corridor which would connect central Europe with the western half of the continent.

Hungary, he made clear, could only enter the common European house by first residing in central Europe. This step was essential because the peoples of this region had suffered greatly in the conflicts of the past. They could not be immediately integrated with the rest of *Europe, but first* had to redevelop contacts "with each other." The audience in West Berlin's European Academy warmed fully to Mr Pozsgay when he noted that "your experiences in this much tried society can help us." Here was West Berlin, once demonised by the East, being praised by a leading Communist politician — one who may well become his party's new leader in the autumn.

The contrast could not have been greater between Mr Pozsgay's message of hope for divided Europe (and Germany) and President George Bush's warmed-over platitudes on eastern Europe a few days later. The President's "tear the Wall down" speech in Mainz flopped badly among both west and east Germans. Like former US President Reagan's appeal to Mr Gorbachev in 1987 to pull down the Berlin Wall, it was simplicity itself — except that *Germans knew it would not* work. Small wonder that Mr Bush's speech caused a Washington-based west German correspondent to remark that the unimaginative technocrats who advised modern-day American Presidents would be equally capable of "running an electricity company."

Mr Pozsgay, on the other hand, gave the east German leadership and its conservative allies real cause for worry by noting that dictatorial, Stalinist-type systems everywhere were in a state of crisis; they were unreformable and could *only be changed. Some of Hun*gary's friends in the West were worried that it was moving too quickly with its political reforms and too slowly with economic reforms, he said. But reforming the political system was a precondition for a reformed economy. Remember, *he said, the* Hungarian Communists were not reforming because they were "charitable people," but because "we have no alternative."

The main question now was whether the party could gain the confidence of the people. Mr Pozsgay's remarks were made against the background of a recent Hungarian opinion poll showing that trust in the Communist Party had plummeted to 24 per cent of those *queried from 66 per cent in* 1985. Only 25 per cent of Budapesters said they would vote for the Communists if there were free elections next month. To gain a majority in next year's planned elections, the party realised it would have to form a coalition with non-Communist parties.

But the elections would have to be free, Mr Pozsgay stressed, even if the party lost and went into opposition. The West Berliners who heard Mr Pozsgay agreed it was one of the most extraordinary speeches given in the divided city in decades. They only wished they would have a Communist like Mr Pozsgay on the other side of the Berlin Wall to deal with.

LETTERS

'These are crucial weeks for Namibia'

From Mr John Macdonald.

Sir, The complete amnesty announced on June 6 for refugees returning to Namibia is a victory for the United Nations and for all those who long to see a peaceful solution in southern Africa.

I spent last week in Namibia, with Peter Pike MP, at the invitation of the Council of Churches for Namibia. In my judgment the next six weeks — when the legal framework for the elections will be hammered out — are crucial.

The UN must continue to *stand firm. Its mandate is to* supervise and control free and fair elections. The first test will be the registration of electors.

The draft regulations the Administrator General has proposed are a virtual reprint of the rules for the unfortunate 1978 election. This will not do. As an absolute minimum there must be one national registration roll — listing the names of all registered voters in alphabetical order by district — published throughout the country. The UN monitors must also have a specified place in the legal framework, so that they have real authority.

Comments on the draft rules were invited from interested parties. I have studied the comments of Swapo, the churches, the trade unions and *lawyers.* They are sensible and constructive. UN legal advisers believe 80 per cent of them should be accepted. I agree. Even those who are nervous about a Swapo victory in the election should recognise that one of the worst outcomes *would be for Swapo to be* denied a clear majority by a rigged electoral law.

I was assured by Mr Von Hirchberg, a senior representative of South Africa, that his Government wants the peace plan to succeed. If it does it must also take practical steps to stop police harassment in the north.

In five hours, close to the Angola border, I was able to verify five serious abuses of human rights by the police. I interviewed a young man who had been half buried alive in the sand, and a woman who, answering a knock on her door in the middle of the night, had seen her husband beaten outside their home. Serious abuse of human rights remains a *daily occurrence, and with the* refugees returning the tension will increase.

I believe there are three practical things which could be done at once to help defuse the situation.

The Administrator General should appoint a police chief for the northern region, who commands respect. All police patrols should be accompanied by UN policemen. And all police patrols should leave their armoured cars at base, and use Land Rovers.

The rest of the population drives about in ordinary vehicles, and we left the road and drove through the bush in a minibus without anxiety.

John Macdonald,
12 New Square,
Lincoln's Inn, WC2

Peace hath her victories

From Mr Walther Stützle.

Sir, I read Robert Taylor's article (May 17), dealing with the Stockholm International Peace Research Institute (Sipri), with great interest and pleasure. But it carried one observation which I find difficult to let pass without comment. A defence expert of the British embassy in Stockholm is quoted to the effect that "Sipri has become much better since it ceased to be run by Englishmen."

Not to entertain prejudices against any nation has been one of the key lessons in the education I received at home and in school. Never have I had any reason to regret the admiration I feel for your country, based on many visits to it, and no small number of solid links, including family links.

Walther Stützle,
Sipri,
Pipers väg 28,
S-171 73 Solna,
Sweden

Judgment crosses the Atlantic

From Mr Alex Hammond-Chambers.

Sir, I doubt that "judgmental managers will be *out of busi*ness within five years" ("The quants are coming," June 7). They are alive and kicking in the US, where the quantitative approach to fund management is much more established. The great names in fund management in the US — those with outstanding long-term and consistent track records — fall into this class: Warren Buffet, *Sir John Templeton, Peter* Lynch, to name but three.

The question is not whether judgmental managers will survive or not, but rather whether large fund management organisations (which must run their affairs in an organised, disciplined and probably bureaucratic way) can adopt anything other than a mechanistic approach to fund management. *It is not surprising that those* most involved in a quantitative approach are the fund management arms of the big clearing banks.

Alex Hammond-Chambers,
Ivory & Sime,
1 Charlotte Square,
Edinburgh, Scotland

Protest versus progress

From Mr Alan Berlind.

Sir, Referring to Mr Joe Rogaly's well-aimed slap at the British Prime Minister's repeated appeals to the instincts of xenophobia ("The Europe of the Saloon bar," Politics Today column, May 19), one can measure the progress of the European idea by the rising tinniness of the Iron Lady's protests against integration. In my many years in Greece I have yet to meet a Bangladeshi intent on sneaking into England, but Britons galore here in Greece seem comfortable enough with the prospect of slipping into Europe.

Alan Berlind,
12-14 Thisseos Street,
Athens 105 62,
Greece

To cap it all . . .

From Lord Vinson.

Sir, The National Association of Pension Funds' shrill response to the Government's proposal to put a ceiling of £60,000 on an individual's pension tax relief is disappointing, *but not surprising. Many will* remember NAPF's ferocious and, in retrospect, ill-considered opposition to the Government's previous legislation on personal and portable pensions.

Fortunately, the benefits of this legislation are now enjoyed by millions, thanks to some far-sighted members of the NAPF who broke ranks to give the pension arrangements the market needed.

The industry has brought discredit upon itself by the way in which senior directors can vote themselves excessive salary increases just before retirement — the conventional aggregate funding provision cannot provide for this, except by raiding the under-refunded *contributions of early* leavers. Such behaviour fits uncomfortably with the NAPF's call for truth and honesty.

One man's tax benefit is another's tax rise (because of erosion of the tax base), and the Government is as right to put a ceiling on the tax deductibility of pensions as for mortgage relief. Is it reasonable that those on average earnings and below, with a pension of £5,000 or less, should pay more *tax so that others can retire on* pensions in excess of £40,000 a year? The NAPF must not duck the social issue.

Companies will still be able to provide unfunded contractual top-up pensions or, preferably, widen choice by paying enhanced salaries to executives who could make their own savings arrangements, either under the tax umbrella of additional voluntary contributions, *or as genuine savings out of* after-tax income.

The CBI is taking a more long-term and statesmanlike stance in accepting the pensions tax-allowability cap, but calling on the Government to review taxation treatment of all forms of savings. If there are to be fiscal privileges, the Government should surely favour personal ownership rather than institutional ownership: the present system has exactly the reverse impact.

Vinson,
House of Lords, SW1

FINANCIAL TIMES
Thursday June 8 1989

Restrictive gas agreements to be scrapped

By William Dawkins in Brussels

THE WORLD'S top producers of industrial gases will scrap their traditional restrictive sales agreements over the next 18 months and give customers free choice, following a European Commission ruling yesterday.

Brussels has forced the seven companies involved to agree to stop contracting industrial customers to buy fixed quantities from single suppliers on the grounds that this, and other illicit restrictions, contravene EC competition rules.

This will give industrial gas users freedom to buy where they like, including across borders, and so help reduce prices. There would be "immediate positive effects," the EC said.

The decision covers sales of oxygen, nitrogen and argon, raw materials for the steel, petrochemicals and electronics industries.

Brussels has given suppliers six months to modify new contracts in line with the decision and 18 months to change existing agreements. France's L'Air Liquide, and Union Carbide of the US, the two biggest industrial gas producers in the world, are among those involved.

The rest are US-owned Air Products Europe, AGA of Sweden, BOC of Britain, Linde and Messer Griesheim of West Germany. The US companies have plants in Britain, France, Belgium and West Germany. Together, the seven provide 95 per cent of the EC's piped industrial gas and 75 per cent of bulk supplies, a market worth up to Ecu20bn ($20.8bn), Commission officials estimate.

L'Air Liquide and BOC were held to have abused their dominant market positions – contrary to EC law – by obliging customers to buy exclusively from them over fixed periods, use their storage equipment, promise not to resell their gases and to provide details of competitors offering lower prices.

L'Air Liquide and AGA, as well as Linde and Messer, had also set up joint subsidiaries to squeeze out competition in France, Belgium, Luxembourg, the Netherlands and West Germany. The French and Swedish companies have broken their links and the German pair are about to follow suit.

All the suppliers have already agreed to comply with the ruling, the result of a Commission inquiry opened 1982 and finalised at yesterday's full meeting of the 17-strong Brussels executive. The Commission informed them of the details yesterday morning. Medium-sized gas producers have also been asked to comply.

- There will be no more commitments for customers to buy a fixed amount of gas from one supplier, though commitments to buy within a certain range – or up to a fixed maximum – for liquid gas will be allowed.
- For safety, bulk liquid gas producers can have exclusive rights to fill, though not supply, and maintain storage tanks. This is so long as customers are free to obtain other tanks to be filled by other suppliers.
- Buyers will be free to resell surplus industrial gas, and suppliers will no longer be allowed to demand details of competitors offering better terms.
- Compulsory advance cash deposits and obscurely defined price rises, as practised by L'Air Liquide, are also banned. Price changes for long-term tonnage contracts must clearly match the costs involved.

Solidarity triumph 'no mandate to join government'

By Christopher Bobinski in Warsaw

SOLIDARITY spokesmen yesterday underlined their continuing resistance to invitations for the movement to join Poland's Government, by rejecting the idea that their triumph in the country's elections had given them a mandate to take power.

Although the results of Sunday's poll remain unpublished, unofficial reports give Solidarity 160 out of the 161 seats available to it in the Sejm (lower house) and 92 out of the 100 seats in the Senate in the first round of voting.

Mr Jan Litynski, a movement leader and newly elected legislator, said yesterday: "People were voting for us to be in opposition not a government."

Behind the scenes, both Solidarity and Government officials continued to wrestle with the problem of the unfilled seats in the Sejm which would have gone to 35 prominent establishment politicians – making up the so-called "national list" – if they had won more than 50 per cent of the popular vote.

Yesterday, Mr Janusz Onyszkiewicz, the Solidarity spokesman, said of the list: "We would like to have these people who play a key role in politics in parliament."

But Solidarity is putting the onus of finding a solution on the shoulders of its leaders. Mr Lech Walesa, who leads the movement, will meet senior Communist officials today.

The Solidarity line is that the election results showed a desire for a change in the political system, and it is up to the authorities to accomplish this.

One solution to the problem of the 35 missing deputies is to have the country's constitutional tribunal negate the national list elections on grounds that its procedures failed to guarantee the filling of the 460 seats mentioned by the constitution; the tribunal would then order new elections for the 35 on June 18.

But this would stretch a thin point of law to an almost unbearable degree; and if Solidarity leaders were to go along with it, they would risk criticism from grass-roots activists who advised people – with evident success – to vote against the national list.

Today's talks between Solidarity and Communist officials like General Czeslaw Kiszczak, the Interior Minister, will address the problem of how to shore up a Government much weakened by the catastrophic elections results.

Solidarity supporters say in private that their movement is neither prepared nor qualified to take power, even if the authorities decided to resign.

For the moment, even the idea of Solidarity leaders entering the Government as individuals seems out of the question, although the logic of events may yet force this on the movement.

One alternative is for both sides to agree to support a government of technocrats charged with implementing the reform programme sketched out at talks earlier this year.

Quentin Peel adds from Moscow: Soviet reaction to the Polish election results has been cautious, if not furtive, with none of the official media daring to suggest the extent of the Communist party's defeat in their first reports.

Moscow's own party newspapers played safe by quoting only the official Polish commentaries, and holding back any direct reporting from the field.

"It is already clear that in the majority of districts, primarily in those where members of the government coalition were standing, there will be re-run elections," according to Pravda, Sovietskaya Rossiya, and Komsomolskaya Pravda, three leading party papers.

"From announcements of the preliminary results it appears that the results of the first round were unfavourable for the coalition," Pravda said.

THE LEX COLUMN

Portable phones go up in price

When British Telecom decided last January to pay $138 for each American voice on the end of a future McCaw cellular phone, the market's condemnation was swift and confident. Poor parochial BT had got caught up in the sort of lunatic vision which only Wall Street could generate: to pay $138 per "pop" for its 22 per cent stake of McCaw Cellular Communications was no more than a Transatlantic rip-off.

All that may yet turn out to *have been true*. But with McCaw itself prepared to pay twice as much for the "pops" it is planning to poach from LIN, BT suddenly begins to look more prudent than visionary. *It is, however*, in dangerous company. McCaw is gambling on nothing short of a minor cultural revolution in American communications: BT can do no more than hope that McCaw is really in touch with the telecoms aspirations of its 50m "pops" – not to mention the millions more it plans to buy from LIN.

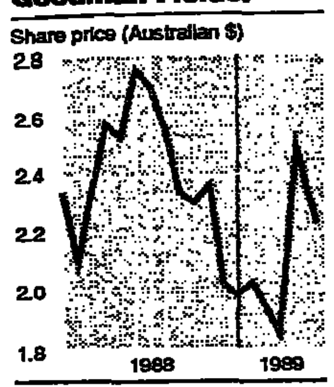
But however costly the LIN battle may yet prove for BT's associate, McCaw, it can do nothing but good for the Racal Telecom share price. If European heads were worth what McCaw is proposing to pay for American ones, then Racal Telecom shares should be trading at £9.50 or £10 rather than £5.19. That may look more like a Wall Street valuation than a London one. But Racal Telecom has already nearly trebled in price since the beginning of the year, outperforming the market by 51 per cent in the past three months – and it has good old American optimism to thank for nearly all of that.

Short Brothers

Even the Government would be hard pressed to claim that the privatisation of Short Brothers has been an outstanding success. It is costing £750m of taxpayers money, or twice as much as the combined cost of privatising Rolls Royce and British Aerospace, to return to the private sector a company employing 7,000 and with annual sales of less than £200m last year. It would have been far more cost-effective either to have broken the company up, or to have waited for Shorts to be put on a sound financial footing. However, the Government was in a hurry and did not want to upset the Belfast loyalists, so the Canadians *have got a bargain*.

Bombardier is paying £30m, or roughly net asset value, and the Government has ensured that no substantial additional capital will have to be pumped in initially. Meanwhile, Shorts' expensive FJX commuter jet project has been scrapped, leaving the way open for Bombardier to use Shorts' facilities to build its own product. Bombardier is giving certain commitments in return, but the financial penalties are far from onerous, and there is no specific undertaking to maintain employment levels. Bombardier has a good track record, but the Government has had to pay a high price to persuade it to take over one of the lamest of its lame ducks.

Goodman Fielder



Markets

If the foreign exchange markets were driven solely by interest rate differentials, the fact that UK short-term interest rates are more than twice as high as West Germany's should provide more than adequate support for the pound. However, sterling's recent persistent weakness has had far more to do with political uncertainties than with rate differentials, and yesterday's reaffirmation by the Chancellor that his policies have not been tampered with by the lady next door should bolster sterling in the short term.

The credibility of the Government's economic forecasts is such that the admission that the inflation peak will now be slightly higher than the 8 per cent forecast comes as no great surprise. However, the Chancellor's robust dismissal of any suggestion of a return to credit controls or overfunding should dampen speculation that there are other hands on the policy tillar. Provided this week's modest relaxation by the Fed is not offset by a surprise rise in West German interest rates, *the pound should weather its* current weakness without precipitating another panic rise in base rates.

Goodman/Brierley

The deal between Goodman Fielder and Sir Ron Brierley is the kind of incestuous tangle which characterises Australian corporate life at its finest. Sir Ron is swapping the rump of IEL's assets and A$430m in cash for full control of Woolworths of Australia and a 9.6 per cent stake in Goodman Fielder. Goodman is meanwhile issuing a flood of paper to buy a job lot of IEL holdings which range from Australia's leading dairy processor to its biggest auctioneer and undertaker.

For Sir Ron, the result is a much tidier structure, comprising *the top company*, BIL, and its 80 per cent holding in the investment company IEP, which owns his various portfolio investments in the US and Europe. For Mr Pat Goodman, *the motivation is more* obscure. Doubtless, many of the IEL assets – the Southern Farmers dairy business excepted – will be sold off, giving the effect of a disguised rights issue. But if the object is also defensive – RHM's 14.9 per cent stake will be diluted down to 11.4 per cent – there is also the possibility that Sir Ron's lieutenants will one day lay their hands on the Goodman empire as a whole. None of this makes it easier for RHM – now trying to find a buyer for its Goodman stake – to determine what it is actually worth. But that is the price of getting involved in the Australian game in the first place.

Time

The $10bn being offered by Paramount for Time makes one doubt whether the media world still has any contact with reality. Leaving aside a prospective multiple rather over 30, the annual debt bill, plus goodwill amortisation of perhaps $200m, looks to be about double Time's expected pre-tax profits this year of $630m. Doubtless, Paramount aims to sell chunks of the business on: but if it does so on terms which makes its own sums work, it merely passes the problem to someone else.

On the other hand, Para*mount's intervention* suggests that the old-style business merger may not be making a comeback after all. From the shareholder's viewpoint, such arrangements will always have a *slightly cosy air to them*. The managements of Beecham and SmithKline will doubtless have taken note.

Phalange counts fortunes of war

Lara Marlowe reports on the funding of Beirut's Christian militia

Sitting behind his desk in an East Beirut office laden with pie charts, graphs and computer printouts, Mr Roger Dib compares himself to the director of the Office of Management and Budget in the US.

The Insead business school graduate and former employee of McKinsey, the management consultants, is in fact treasurer for the Phalange, Lebanon's largest militia, and responsible for an annual budget which he estimates at $75m.

Mr Dib says that equipping and paying the salaries of more than 10,000 militiamen costs about 55 per cent of the militia's budget, or about $40m a year. Weapons spending is reduced by virtue of Iraqi generosity.

The "chief of staff" of the Phalange, General Fouad Malik (a colonel when he left the Lebanese army), says that three quarters of the militia's weapons are donated by Iraq. "We have got everything a modern army could need – artillery, T-54 Russian-made tanks, you name it," the general says.

Mr Dib takes pains to distinguish between the Ktaeb (Arabic for Phalange) party and the "Lebanese Forces" militia which is its military wing. He *admits that the vast majority* of "Lebanese Forces" members are Phalangists, but the word acquired an unhappy ring after Phalangist forces massacred Palestinians in Beirut's Sabra and Chatila camps in 1983, and the term is studiously avoided by the militia's Lebanese Christian supporters.

The term "Lebanese Forces", like other aspects of the Ktaeb, gives a misleading impression of legitimacy and government authority. Sometimes it would be easy to mistake the Phalange for the government of Lebanon. They have "embassies" in London, Paris, Washington, Rome and Sao Paolo. Within the confines of the 310 square mile Christian enclave, they levy taxes, maintain a *public transport system, operate* television and radio stations and run housing and social welfare agencies for members and their families.

Phalangist militiaman receives first aid from a comrade

The Ktaeb's health service *employs 60 doctors* and includes private medical and dental clinics and pharmacies. A booklet published by the militia's welfare agency lists material gifts from, among others, King Fahd of Saudi Arabia, the Save the Children Fund and Nestlé, the Swiss food group. A receipt dated March 22 1988 shows a donation of FFr600,000 ($89,500) from the municipality of Paris.

But most of the Ktaeb budget is raised through tax in the Christian enclave. Every hotel and restaurant bill bears the *Phalangist symbol, a triangle* inside a circle, showing that 5 per cent of the total has been paid to the militia, which even employs tax inspectors. The Ktaeb also collect 75 US cents *for every 20 litres of fuel sold*.

Mr Dib said tax on factories was "insignificant". But the President of the Lebanese Industrialists' Association, Mr Fouad Abi Saleh, confirmed that until February, Lebanese factories paid $100 a month each to the Phalange, worth several hundred thousand dollars to the militia.

Mr Dib claims the Phalange to be far the largest of Lebanon's militias. "Jumblatt's is most similar to ours in terms of structure and scope," he says of Mr Walid Jumblatt's Druze militia. "They even provide some things we don't, like electricity. We are 50 per cent larger than the Druze militia, double the size of Amal – which is mostly military and weak on the social side – and five to six times the size of Hizbollah, who are good on social programmes because they are so well-financed by Iran."

Mr Dib estimates that the Ktaeb militia's 48-hour war with the army of Christian General Michel Aoun in February and subsequent battles between Lebanese Christians and Syrians, in which the Phalange took Gen Aoun's side, have cut Ktaeb revenues by 55 per cent.

Gen Aoun took over the militia's section of Beirut port (22 per cent of annual earnings), its real estate tax (charged at 2 *per cent of the value of every* transaction in the Christian enclave) and the tax on trucks crossing in and out of the Christian sector (5 per cent of annual earnings).

The past three months' shelling forced the Casinodu Liban to close. The gambling tax had accounted for 17 per cent of the Phalangists' money. The shelling has also interrupted the Larnaca to Jounieh ferry service, on which the Phalange charges each passenger a $60 tax for the round trip.

But Mr Dib says he is not worried, claiming the Phalange has reserves to keep it going for up to 18 months. "We have invested about $100m, 60 per cent of that in real estate."

Mr Dib says that Lebanon's militias will form the basis of local governments in a future Lebanese federation. But there are an estimated 80,000 men who earn their living in Lebanon by holding a gun, and it is these men – who have more financial interest in war than in peace – who are likely to determine the immediate future of their country.

'Soft landing' predicted for US economy

Continued from Page 1

At midsession yesterday, the US currency was quoted near its day's lows against the Japanese yen at Y142.25 and at DM1.9655.

US financial markets continued to gain ground after Tuesday's signal from the Fed. However, few economists or traders expressed a belief that this easing move would be followed by another soon.

The Fed Funds rate traded at 9½ per cent yesterday, suggesting that the Fed has quietly engineered an easing of around one-quarter of a percentage point from the level which has prevailed since February.

On the stock market, the Dow Jones Industrial Average at lunchtime was 12.87 points higher at 2,509.19.

US Treasury bonds were as much as half a point higher at midsession. The benchmark long bond was up ⅜ to yield 8.36 per cent.

World Bank and IMF outline details of help for Mexico

By David Lascelles in Madrid

THE WORLD BANK and the International Monetary Fund gave details yesterday of the amount they are prepared to contribute to help Mexico reduce its debt liabilities, paving the way for a new round of negotiations between the country's officials and its bank creditors. The sums involved *were not publicly disclosed*, but bankers and officials said the talks had helped clarify the position and should speed up the process.

In a joint statement, Mr Angel Gurria, Mexico's chief debt negotiator, and Mr William Rhodes, the Citicorp executive who heads the banks' advisory committee, said the meetings "have set the stage for rapid progress in the negotiations with the commercial banks."

Mr Michel Camdessus, managing director of the IMF, said: "The mayonnaise is beginning to take."

The meeting had been called *to take advantage of the pres*ence at the International Monetary Conference in Madrid of the chairmen of all of Mexico's major creditor banks.

Organised under the aus*pices of Mr Gerry Corrigan*, president of the New York Fed, it included Mr Pedro Aspe, the Mexican Finance Minister, and Mr Barber Conable, president of the World Bank, as well as Mr Camdessus.

The 2½ hour meeting was followed immediately by a briefer negotiating session and a number of bilateral meetings between individual banks and the Mexicans. The talks will resume in New York tomorrow.

The amount and extent of official support made available by the IMF and the World Bank is crucial to the banks' readiness to back the debt and debt service reduction transactions now being proposed to help Mexico meet liabilities on its $105bn debts. The negotiations aim to put together a new financing plan which will see *Mexico through to the end of* 1991.

The feeling in Madrid was that the top-level nature of the meeting had helped dramatise Mexico's problems and galvanise the negotiators into fresh action. However, the blandness of the official statements, along with the lack of detail about the official package, left the impression that much work still needed to be done.

Mexico is viewed as a test case for US Third World debt strategy.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	21	70	Dubrovnik	S	21	70	Malta	S	23	73	Rhodes		–	–
Algiers	F	26	79	Edinburgh	F	12	54	Manchester	C	13	55	Rio de J'o	F	29	84
Amsterdam	C	10	50	Faro	S	21	70	Manila	F	28	82	Rome	S	22	72
Athens	S	26	79	Florence	C	21	70	Melbourne	S	15	59	Salzburg	C	15	59
Bahrain	S	37	99	Frankfurt	R	13	55	Mexico City	F	30	86	San Francisco	C	12	54
Bangkok	F	34	93	Funchal	S	20	68	Miami	C	24	75	Seoul	S	31	88
Barcelona	S	21	70	Geneva	C	16	61	Milan	F	22	72	Singapore	F	31	88
Beirut		–	–	Gibraltar	S	22	72	Montreal	S	17	63	Stockholm	C	17	63
Belfast	S	13	55	Glasgow	F	15	59	Moscow	C	26	79	Strasbourg		–	–
Belgrade	F	21	70	Guernsey	R	10	50	Munich	C	13	55	Sydney	S	15	59
Berlin	S	19	66	Helsinki	C	16	61	Nairobi	C	23	73	Taipei	C	33	91
Biarritz		–	–	H Kong	F	31	88	Naples	C	22	72	Tangier	F	21	70
Bombay	F	34	93	Innsbruck	C	15	59	Nassau	C	31	88	Tel Aviv	S	33	91
Bordeaux	C	17	63	Inverness	F	11	52	New Delhi	C	33	91	Tenerife	F	22	72
Brussels	F	14	57	Islamabad	C	37	99	New York	R	17	63	Tokyo	S	28	82
Budapest	F	20	68	Istanbul	C	24	75	Nice		–	–	Toronto	S	19	66
B. Aires	C	20	68	Jakarta	C	32	90	Nicosia	S	31	88	Tunis	S	25	77
Cairo	S	40	104	Jersey	C	12	54	Oporto	S	18	64	Valencia	F	21	70
Cape Town	C	16	61	Jo'burg	C	11	52	Oslo	F	17	63	Venice	S	21	70
Caracas	C	27	81	Lima	C	18	64	Paris		–	–	Vienna	F	19	66
Casablanca	F	21	70	Lisbon	S	22	72	Peking	C	21	70	Warsaw	R	9	48
Chicago	F	19	66	London	C	13	55	Prague	R	16	61	Washington	R	18	64
Cologne	C	12	54	Los Angeles	C	15	59	Reykjavik	C	8	46	Zurich	F	11	52
Copenhagen	F	14	57	Luxembourg	C	9	48								
Corfu	S	24	75	Madrid	F	22	72								
Dallas		–	–	Majorca	F	22	72								
Dublin	R	12	54	Malaga	S	25	77								

Readings at mid-day yesterday

C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

China tightens grip

Continued from Page 1

continuing reports of large scale troop movements.

Exactly who is running the country remains unclear. A mention on Peking radio to "Comrade Qiao Shi" and the Politburo suggests that the former intelligence chief has increased his influence and could take the party general-secretary's position from Zhao Ziyang, whose purge has been awaited for two weeks.

Ballot closes US nuclear plant

Continued from Page 1

release of radioactive waste water from 1983 to 1986.

Other nuclear projects that have come to grief in the US include the Shoreham nuclear power station near New York City, which was abandoned without ever being used, and Seabrook, in Massachusetts, which was never completed.

Moscow pledges defence cuts

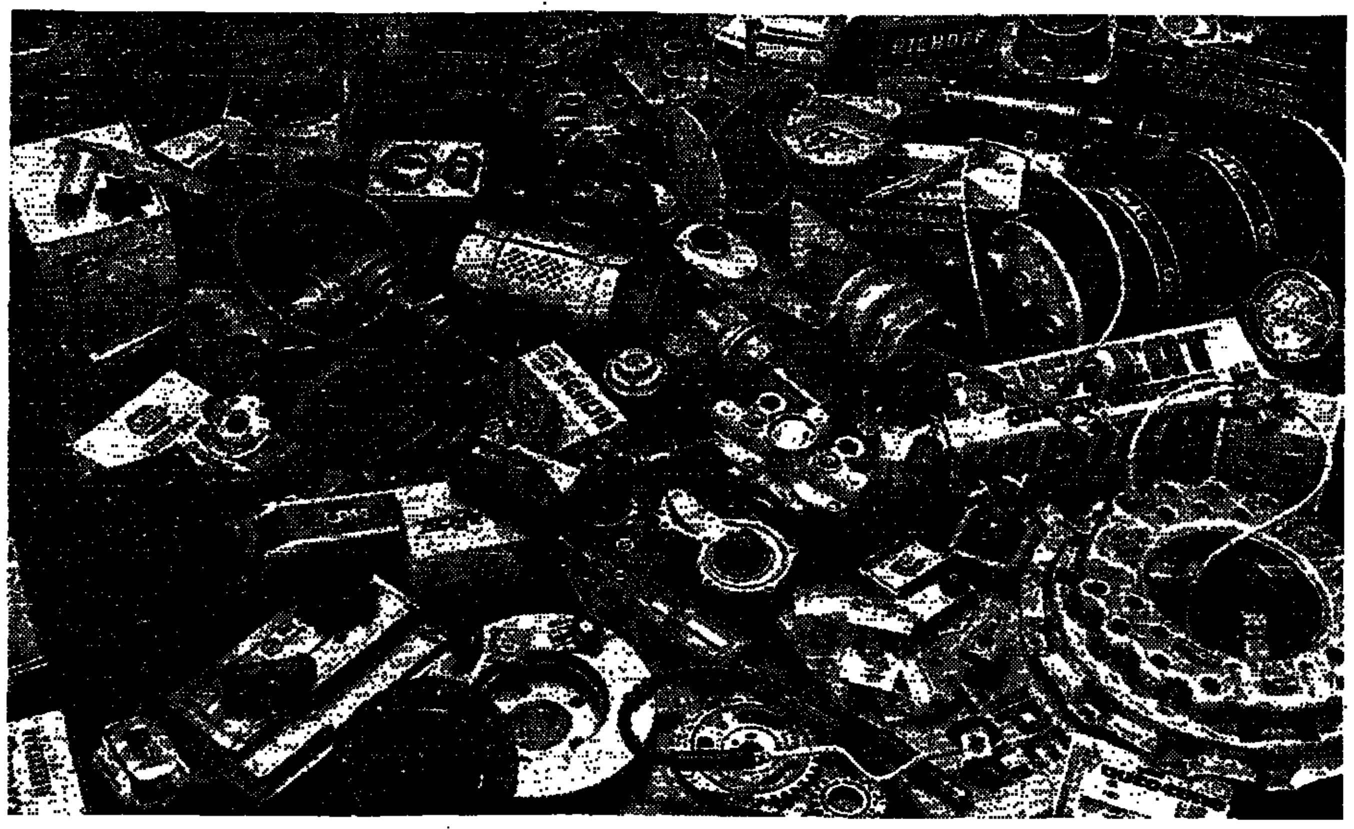
Continued from Page 1

Rs1.3bn for the reusable space shuttle, Buran.

He offered little light at the end of the tunnel for the Soviet economy. Apart from a huge switch of resources from heavy industrial investment to consumer goods and food production, he said that some Rs35bn would be needed over the next 15 years to repair environmental damage caused by years of industrial neglect.

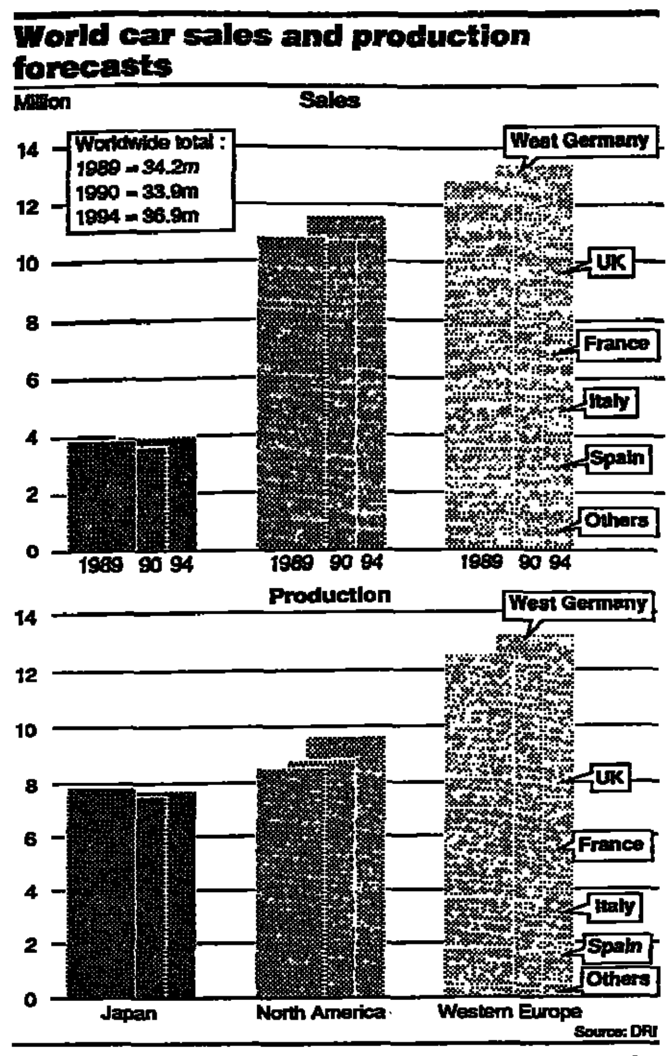
SECTION III
FINANCIAL TIMES
SURVEY

With rising demands for quality and cost-savings, the relationship between vehicle makers and component suppliers has entered an era of profound change which is transforming the components sector, says **Kevin Done**, Motor Industry Correspondent.



The fragmented components industry faces a growing demand to adopt more high technology in its products.

World Automotive Components



An industry in transition

INTENSIFYING competition in the world motor industry has brought the sometimes turbulent and adversarial relationship between the vehicle assemblers and their components suppliers into a sharp new focus.

Car and commercial vehicle makers are increasingly accepting that the drive for improved quality and for greater efficiency and productivity within their own organisations depends crucially on the performance of their suppliers.

The relationship between the vehicle assemblers and their components makers has therefore entered an era of profound change, which is transforming the structure of the world automotive components industry.

As the car makers seek to concentrate more of their resources on the core activities of the design and development and assembly of new vehicles, they are seeking to place more of the burden of the design and development of components on to their suppliers.

This process is placing much heavier demands on the research and development capability of the components industry, but at the same time it is drawing the two sides of the industry into a closer relationship and is forcing the vehicle assemblers to accept much longer term contracts with their suppliers than has previously been the case in the auto industry.

The vehicle makers can no longer afford to play off one supplier against another in the search for the lowest price, when the performance of their component makers is crucial to their own ability to meet higher quality and productivity standards, to lower costs and to cut stock levels with the implementation of systems such as just-in-time delivery.

Increasingly, the front rank components suppliers are being forced to deliver not only individual components but complete systems and subsystems for the car as the vehicle makers seek to move towards modular assembly to improve the quality of their products.

The so-called first tier suppliers are being brought into the vehicle design and development process at a much earlier stage than ever before. The prize is to win the pole position as the prime supplier of a particular component or system with the long-term contracts that flow from such a status.

The price for the components supplier is that it must shoulder an increasing part of the development burden and accept an increasing intrusion by the vehicle assembler into the intimate running of its business as car makers seek to inspect and monitor at first hand the quality and performance of their suppliers.

At the same time, the components industry is having to accept that systems such as just-in-time delivery mean in practice that the vehicle assemblers are transferring to the components industry a significant part of the cost of maintaining component stock levels, which is forcing the components makers themselves to drive for greater efficiency by passing these costs down the supply chain.

The prize of pole position also means that the components supplier must be ready and able to follow the vehicle assemblers around the world as the process of the globalisation of the motor industry intensifies.

According to Dr John White, group chief executive of BBA, a leading UK components maker, "for the vehicle builders, our initial clients, the progressive liberalisation of the world automotive market affords the possibility of serving those markets as they are developed, either from transplant facilities or by further exploiting economies of scale from large home-based plants.

"The development of transplants creates demand for component industries to be developed in matching locations."

The Japanese components industry is quickly moving into North America in the wake of the Japanese vehicle makers, which are now well-advanced with their moves to establish so-called transplant production capacity in the US and in Canada.

The global expansion of the Japanese vehicle makers poses a massive challenge to the traditional European and US automotive groups, but the challenge is no less to the indigenous components producers.

The need for the Japanese vehicle makers to develop high levels of local content offers new opportunities – Nissan will be spending £450m a year in Europe on components purchasing by the early 1990s, for example, for its UK car plant – but the experience from North America shows that these opportunities can easily be seized by an influx of Japanese component makers building on the close supply relationships established in their domestic market.

The forthcoming World Components Digest, produced by PRS, the London-based automotive consultants, suggests that the structure of the world automotive components industry is changing rapidly as its adjusts to:

- The increasing globalisation of vehicle production and demand with, for example, multinational car and commercial vehicle producers focusing the design and development of individual world models in single locations, and their subsequent production on a world-wide scale.
- The growing need to adopt high technology in products in order to maintain a competitive advantage in the marketplace.
- The move towards automated assembly which implies a "systems approach" to component sourcing.
- Growing international competition which means that the vehicle assemblers cannot afford to lose an opportunity to reduce their cost bases.
- The need for the vehicle assemblers to offer quality above all else to their customers and, in turn, to demand quality above all else from their suppliers.

Quality embraces quality of design – enabling the component to perform to the boestr possible level and in harmony with the other parts of the vehicle – and quality of manufacture with the philosophy of "zero defects."

The greater reliance that the vehicle assemblers must place on the components industry suggests a change in the balance of power between the two sides.

Mr Carl Hahn, chief executive of West Germany's Volkswagen, the leading West European vehicle maker, accepts that the car makers will become more vulnerable, but insists that component makers would never wield such a two-edged weapon.

"There can be no question that somebody here is capable of knifing you to death – on the contrary your reaction would be far too quick and the risk would be far too high," he said in a recent interview with the Economist Intelligence Unit.

"No one really tries to corner the market. Everyone is trying to improve his position by improving his product and cost structures. I am not looking at this game from the point of view that I am afraid that I will be cornered and have to pay unreasonable prices.

"The experience of a number of partners shows us otherwise – take brakes: there are so many people offering ABS (anti-lock braking systems) today, and so on with electronics or carburation. The market place has become so much bigger and competition has become so much keener."

In West Europe, the vehicle assemblers are moving rapidly to reduce multiple sourcing of components in favour of choosing a smaller number of preferred first tier suppliers and in some cases of single sourcing.

According to a forthcoming report by Ludwigsen Associates, the automotive consultants, the Peugeot Group of

Continued on page 2

IN THIS SURVEY

Car sales defy widespread forecasts of a downturn

Buoyant world market

WORLD demand for cars grew much more strongly than expected last year creating a buoyant market for original equipment (OE) components suppliers. Total car sales increased by 5.6 per cent to 34.4m with all the regions of the western world experiencing significant growth.

Car and commercial vehicle sales have continued at record levels in western Europe during the first half of 1989, defying widespread forecasts of an imminent downturn. New car registrations in western Europe last year increased by 4.8 per cent to 12.91m according to a recent report by DRI Europe, the London-based automotive analysts, reaching a record level for the fourth successive year. According to industry estimates sales have surged again in the early months of 1989 with new registrations from January to April 7.5 per cent higher than a year ago.

In Japan, the world's second largest car market after the US, car sales jumped last year by 13.5 per cent to 3.7m and forecasts suggest a further big increase in new car registrations in the current fiscal year helped by a far-reaching reform of the car taxation system implemented at the beginning of April which has reduced car prices.

Demand has begun to fall in the US, however, in spite of widespread attempts by the leading car makers to stimulate sales with incentives and discounts, and a downturn is expected in the North American market in both 1989 and 1990.

Car sales in the US were 3.5 per cent higher at 10.59m last year, but in the first four months of the year sales fell by 8 per cent to 3.26m compared with 3.55m a year earlier. The decline has already forced the big three US car makers, General Motors, Ford and Chrysler to reduce their ambitious production plans for the first half of 1989.

Ford, for example, was forced last month to make its first lay-offs since August 1983 with the temporary closure of its Escort plant in New Jersey in order to reduce stocks which had risen sharply in spite of increased incentives.

Western Europe overtook North America in 1987 to become the largest regional car market and last year it produced the biggest gain in volume terms with sales rising by 589,000 units. Sales rose much faster in Japan in percentage terms with a jump of 13.5 per cent, but in volume this represented a gain of 442,000, while the North American market produced a gain of 357,000 units to 11.6m.

According to DRI Europe's latest World Automotive Forecast Report, the Asia/Pacific region (excluding Japan) remains the fastest growing region in percentage terms with gains last year of 28.7 per cent in South Korea, of 46 per cent in Taiwan and 13.6 per cent in Australia.

The Latin American region also staged a recovery last year with a gain of 18.7 per cent in sales volume following the sharp 22.4 per cent drop in 1987.

The stronger than expected start to the year in western Europe has forced the motor industry to revise upwards its sales forecasts for 1989, and DRI now expects worldwide car sales to be virtually unchanged at 34.2m, only a marginal decline from last year's record performance of 34.4m.

Sales in western Europe are still expected to turn down in the second half of the year, but DRI forecasts that demand in the full year will marginally exceed the previous peak set last year at some 12.91m, with the market first showing a significant dip in 1990 to 12.59m.

Car demand fell in only four of 17 western European markets last year and sales set new records in four of the five leading volume markets, France, the UK, Italy and Spain.

The race for market leadership in Europe ended in a photo finish last year with West Germany's Volkswagen group, which includes Audi and SEAT, apparently catching Italy's Fiat, which includes Lancia and Alfa Romeo, at the finishing line, after Fiat had led for most of the year.

VW has been market leader for the last four years, but its supremacy is being challenged by both Fiat and France's Peugeot group, which includes Citroën. Peugeot was the fastest growing volume car maker in Europe last year, a status it has maintained in the first four months of 1989.

Car and commercial vehicle sales have continued at record levels in western Europe during the first half of 1989

Mr Jacques Calvet, Peugeot chief executive, has openly stated his group's ambition of capturing European market leadership by 1992/93. It moved past Ford in 1987 to capture third place and over the last 18 months has succeeded in closing the gap on Fiat and VW.

In the first four months Peugeot, General Motors of the US (Opel/Vauxhall), Renault and Volkswagen have all gained market share among the big six volume car makers while Fiat and Ford have marginally lost ground.

The biggest losers have been the Rover group of the UK and Mercedes-Benz of West Germany. Rover's sales volume across Europe has declined by an estimated 7.2 per cent in the first four months of the year cutting its European market share to only 3.0 per cent from 3.5 per cent a year earlier.

Mercedes-Benz, which has been hit by plunging sales of diesel cars in West Germany, has suffered an estimated drop of 5.4 per cent in its western European sales volume. By contrast BMW, its arch domestic rival, has increased its western European sales by 22.5 per cent in the first four months helped by the successful launch of its new generation 5 Series.

Even if overall demand turns down in 1990 sales are likely to remain at a relatively high level, says DRI, and could achieve the third best volume ever, exceeded only by the record years of 1988/89. The DRI report suggests that European manufacturers would sacrifice profit margins in order to sustain sales volumes.

The battle for sales volume in Europe with the big six car makers all holding shares between 10 and 15 per cent, could quickly lead to a sharp rise in incentives campaigns, although high and rising interest rates make low or interest free finance packages increasingly expensive sales tools.

Such incentives have become an almost permanent feature of the US car market, but have still failed to halt this year's sales slide.

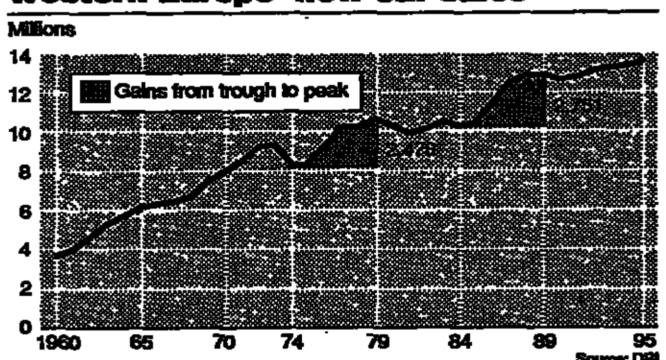
In the US DRI suggests that demand will remain weak throughout the rest of the year as the economy slows and consumers reconsider their spending plans.

In Japan, the tax reform has removed the old commodity tax which discriminated in particular against large cars of over two litre engine capacity which attracted a 23 per cent tax rate on the ex-factory price. This has been replaced by a 6 per cent value added tax, which will be cut to 3 per cent after three years.

As a result car prices have been cut by between 5 and 15 per cent and the tax reform has stimulated the trend towards larger and more expensive cars. Forecasts for Japanese car sales have been revised upwards.

Kevin Done

Western Europe—new car sales



Prospects for European suppliers

Gearing up for big changes

WHILE the European Community is still in disarray over the detailed formulation of a policy for the motor industry in the 1990s, it is already clear that some of the most far-reaching consequences of the single European market will be felt in the automotive components sector.

To a much greater extent than the vehicle-makers, the EC automotive components industry is still highly fragmented and is likely to face a considerable challenge of restructuring and rationalisation during the 1990s, both in response to the creation of a single European market, but also importantly as a consequence of the changing nature of the supplier relationship being demanded by the car and commercial vehicle assemblers.

Around 60 per cent of automotive component output is accounted for by original equipment parts and 40 per cent by parts sold in the aftermarket.

The EC components industry is a substantial employer with a total workforce of around 600,000, according to European Commission estimates and with an annual turnover in 1986 of some Ecu60bn, about 40 per cent of the turnover of EC vehicle makers in the same year.

Many of the companies are still small and medium-sized businesses, however. The Commission calculates that the sector consists of around 1,500 companies of an average size of 400 employees, most of which are dependent on their national markets. Previously, most vehicle manufacturers in Europe have procured components largely from their domestic suppliers.

The top 8 per cent of EC automotive components companies have more than 1,000 employees and account for around 60 per cent of total employment in the sector, however, and there are already big restructuring moves under way led by companies such as Valeo of France and Magneti Marelli, the automotive components subsidiary of Fiat of Italy, which are both seeking to expand their European presence through acquisitions.

The concentration process is under way and a forthcoming report prepared by the Economist Intelligence Unit suggests that the Commission's figures significantly under-estimate the size of the industry overall and the role already played by the leading companies.

According to the EIU, the top 80 automotive components companies in Europe have a combined turnover of $67.24bn, and the EIU estimates that the top 1,000 companies generate combined sales of around $92bn.

The industry is led by Michelin, the French tyre group with a turnover of $8bn, followed by Robert Bosch of West Germany, $7.6bn and Philips, the Dutch electronics group, $3.79bn.

Some 17 European companies have a turnover in automotive components of more than $1bn with four from West Germany Bosch, ZF, Continental and BASF, four owned by US parents, General Motors Components, Goodyear, Allied Signal and Teves (ITT), three from the UK, Lucas, GKN and T&N, two from France, Michelin and Valeo, two from Italy, Pirelli and Magneti Marelli, and one each from Sweden, SKF and the Netherlands, Philips.

According to the European Commission the opening up of the European market will certainly lead to a more diversified pattern of procurement, and it will also lead to pan-European alliances in the component sector.

The impact of the planned EC reforms will undoubtedly be felt above all by the small and medium-sized European components makers, who will no longer be able to count on the previously rather nationalistic attitudes of the vehicle assemblers.

Such attitudes are already being broken down by competitive pressures which are forcing the vehicle makers to seek out cheaper sources of components beyond national boundaries, but the creation of a single market will accelerate the process.

According to Dr John White, group managing director of BBA, the UK industrial holding company which derives more than two thirds of its £1bn turnover from automotive components, "1992 is already upon the automotive industry and its component base. Globalisation, long talked of, is rapidly becoming a reality due in some part to the real or feared Japanese threat.

"The UK component industry is therefore forced to seek its destiny at least on a European scale, and probably on a world scale."

Much of the impetus towards the restructuring of the European motor industry and its supply base will come from the rationalisation of car design and development.

According to a forthcoming report from Ludvigsen Associates, the London-based automotive analysts, there will be a gradual reduction in the number of so-called platforms employed in the car industry.

A "platform" is the single vehicle floorpan (chassis base) to which common components are attached such as engines and transmissions, suspension and steering components.

In a forthcoming report "Supplying the European Motor Industry after 1992" Ludvigsen, which produced a report for the European Commission last year on the benefits that could be derived by the European motor industry from the planned single market reforms, argues that leading components suppliers will have to produce at higher volumes and competitive quality in order to meet the substantially higher single platform volumes expected.

The big European vehicle makers already employ common platform designs to enable their model ranges to provide broad market coverage while maintaining as many advantages of economies of scale as possible. They design a variety of body types and styles that look different externally, but in fact can be built on a single common platform.

Both Peugeot of France and Fiat of Italy are rigorously adopting this approach to rationalise their model ranges.

The Ludwigsen report argues that the EC single market reforms will lead to a greater sharing of platforms between rival manufacturers and therefore to a higher average output per platform type as a result of the:

- Removal of remaining physical barriers to joint engineering activity within the EC.
- Unified electronic communications standards facilitating the definition of common EC protocols for manufacturing and production control.
- Easier, faster and more cost-effective travel for executives and engineers of both vehicle assemblers and supplier companies.
- Greater confidence in the timely and rapid intra-Community shipment of platform components.

Ludwigsen estimates that the number of platforms used by the big volume car makers could have fallen by as much as 40 per cent by the year 2,000.

Suppliers of components to the EC motor industry face the task of adjusting their capacity and production systems to these substantially higher platform volumes and will be challenged to make substantial costs savings.

The Ludwigsen report also argues that there will be an increased commonality of parts design at the level of second tier components suppliers, those companies which deliver to the first tier components and systems suppliers rather than direct to the vehicle assemblers.

This process would be accelerated if the vehicle assemblers and first tier componments and systems suppliers were to move more quickly towards single-sourcing.

The vehicle assemblers are cutting their overall number of suppliers, but Ludwigsen reports "a continning reluctance among many European motor manufacturers to single-source major componentry".

Kevin Done

EUROPEAN AUTOMOTIVE COMPONENT MANUFACTURERS

☐ WITH AUTOMOTIVE SALES OVER $1 bn.

Ranking on automotive sales	Company	Sales in $ mn	Principal country of manufacture	Parent	Country of parent
1	Michelin	8,070	France	Michelin	France
2	Bosch	7,611	Germany	Robert Bosch GmbH	Germany
3	Philips	3,786	Netherlands	NV Philips Gloeilampen Fabriken	Netherlands
4	Pirelli	2,900	Italy	Pirelli SpA	Italy
5	Valeo	2,063	France	Valeo SpA	France
6	Magneti Marelli	2,038	Italy	Fiat SpA	Italy
7	General Motors Components	1,997	France	General Motors Corp	USA
8	Lucas	1,989	UK	Lucas Industries plc	UK
9	ZF	1,942	Germany	Zahnradfabrik Friedrichshafen AG	Germany
10	GKN	1,803	UK	GKN plc	UK
11	SKF	1,779	Sweden	SKF Corp	Sweden
12	Continental	1,772	W. Germany	Continental AG	Germany
13	Goodyear	1,673	Belgium	Goodyear Tire Co	USA
14	BASF	1,667	Germany	BASF AG	Germany
15	Allied Signal	1,330	France	Allied-Signal Inc	USA
16	Teves	1,306	Germany	ITT Inc	USA
17	T & N	1,080	UK	T & N plc	UK

☐ EUROPEAN COMPANIES WITH SALES IN THE $500m - $999m SEGMENT

Ranking on automotive sales	Company	Sales in $ mn	Principal country of manufacture	Parent	Country of parent
18	Pilkington	956	UK	Pilkington plc	UK
19	BBA	926	UK	BBA plc	UK
20	Mahle	861	Germany	Mahle GmbH	Germany
21	VDO	859	Germany	VDO Adolf Schindler AG	Germany
22	BTR	820	UK	BTR plc	UK
23	Uni-Cardan	795	Germany	GKN plc	UK
24	Bendix France	779	France	Allied Signal Inc	USA
25	Saint Gobain	771	France	Saint Gobain	France
26	BEHR	770	France	BEHR GmbH	Germany
27	Rockwell	710	Germany	Rockwell International	USA
28	Epeda-Bertrand Faure	655	France	Epeda-Bertrand Faure	France
29	Freudenberg	607	Germany	Carl Freudenberg GmbH	Germany
30	Fichtel & Sachs	602	Germany	Mannesmann AG	Germany
31	Hella	600	Germany	Rheinhold Poersh GmbH	Germany
32	Siemens	600	Germany	Siemens AG	Germany
33	Du Pont	600	Germany	Du Pont de Nemours & Co	USA
34	ECIA	550	France	PSA	France
35	Motorola	530	France	Motorola Inc	USA

Country of parent companies in the 35 manufacturers: US, 8; West Germany, 11; Britain, 7; France, 5; Italy, 2, Sweden, 1; Netherlands, 1.
Source: Economist Intelligence Unit

Industry in transition

Continued from page 1

France had 2,000 suppliers in 1981, 1,229 in 1986 and this is expected to have been reduced this year to less than 950. Renault had 1,415 suppliers in 1985 and now has 900.

Austin Rover in the UK has 700 suppliers, down from 1,200, while Ford of Europe has cut its number of suppliers from 2,500 to the current 900 in the past five years.

According to Dr White of BBA, the vehicle makers are seeking to out-source an increasing proportion of their components demands: "Sixty per cent of the sale value being bought in is a common objective – with talk of that proportion increasing still further."

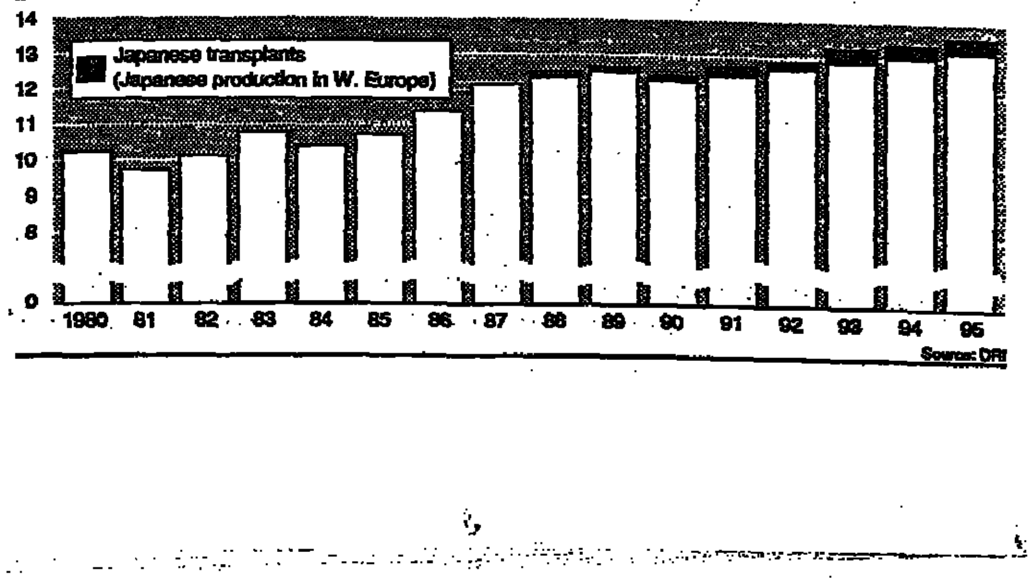
Entry into the electronics era also poses large new challenges to the automotive components industry. The world market for automotive electronics is expected to more than double to around $35bn by the mid-1990s from around $15bn at present according to studies made by General Motors of the US, the world's biggest car producer.

According to Mr Robert Eaton, president of GM Europe and formerly vice president in charge of GM technical staffs, by 1995 the electronic content of vehicles is expected to rise to an average of more than $1,200 from around $500 per vehicle today.

Electronics systems and the integration of those systems poses "the biggest challenge of all" to automotive companies, says Mr Eaton.

"There is not a single aspect of the vehicle that will not be affected by technological progress in computers and electronics," he says.

Western Europe car production



User case study: General Motors

Operations are streamlined

IN THE US, General Motors Corporation says it has less need to purchase vehicle parts outside its captive components operations, following years of re-organisation and making quality improvements which have brought back nearly all its present component operations to profitability.

GM has also recently announced a re-organisation of its automotive components group (ACG), in a move which the giant vehicle-maker believes will make recovery more secure.

Mr William E. Hoglund, executive vice-president of ACG, says that fewer outside purchases of parts will occur now that just 1.5 per cent of the components operations remain seriously uncompetitive.

"Nothing significant is going out now" to alternative suppliers said Mr Hoglund at the ninth International Automotive Industry Conference at the University of Michigan, last month.

GM had in recent years begun making greater use of less costly outside sources for components, after decades of making more of its parts than nearly every US car manufacturer. Internal competition, once GM's strength, turned against the vehicle-maker as its parts units battled with each other, while outside suppliers became more competitive.

GM studied its components businesses and found that between five and seven per cent of them were seriously uncompetitive and stood a good chance of having their functions moved outside.

Mr Hoglund says that now only 1.5 per cent of the components operations remained in the critical category, and some of those operations will stay within the company for strategic purposes.

GM's vehicle manufacturing divisions are now signing partnership agreements with ACG units as the vehicle-maker tries to foster the idea that real competition comes not from within, but outside, the company.

Other studies of GM's captive parts operations led to a major re-structuring plan, aimed at streamlining engineering functions and co-ordinating similar activities.

The overall intent was to re-align ACG's business units to satisfy customers' evolving requirements and to more appropriately meet the needs of the market place, said Mr John Vacketta, the group's director of finance.

"We really were orientated to the component business," Mr Vacketta says. "While the industry in recent years was aligning towards systems and subsistence, we were re-aligning along strategic business unit lines."

The ACG said it was eliminating four parts divisions, forming two new ones and re-

Nearly all of General Motors' component operations are now profitable

structuring two others, continuing re-structuring that began last September.

New Departure Hyatt was eliminated and its engine and powertrain forging activities – in Detroit and Tonawanda, New York – became part of a re-structured Saginaw division in Saginaw, Michigan.

Delco Moraine was eliminated and its anti-lock brake components, powertrain components, wheel-brake systems and European operations were merged – with NDH's chassis and bearings operations in Ohio and Connecticut – into a new division called Delco Moraine NDH, based in Dayton, Ohio.

The Inland and Fisher Guide divisions were eliminated, while Inland seating and interior components, Fisher Guide's vehicle hardware, interior and exterior components, door systems and lighting components activities were merged into a new Inland Fisher Guide division, based in Detroit.

A re-structured Delco products division in Dayton retained its activities and added Inland's chassis business, including two plants in the area.

Last September, the AC Spark Plug and Rochester Products divisions merged into AC Rochester, based in Flint, Michigan. Its electronics activities include engine management systems.

No changes were made at Delco Remy of Anderson, Indiana; Harrison Radiator, of Lockport, New York; Packard Electric, of Warren, Ohio; Central Foundry, Saginaw, Michigan; and Hydra-matic, Ypsilanti, Michigan. No other changes are in the group are planned, an official said.

There were some parallel design and development efforts that will be eliminated in the re-organisation, but that was not the main reason why the group conducted studies leading to the changes, said Mr Vacketta.

Details of the re-alignment will be worked out over the next couple of years. An example of the changes is how anti-lock brakes will be handled in the future. Part of New Departure Hyatt, which has expertise in axle components, was moved in with Delco Moraine, which was the main developer of ABS for the group.

Many observers claim that a significant turnaround of attitudes among employees and management – and between the two groups – has been a key factor in the improvements at ACG. Improved conditions for workers, a reduction in absenteeism and a striving for higher quality by raising worker involvement have fueled the performance.

The ACG is feeling so well about itself that it rented substantial exhibition areas at two major shows in Detroit this year – the Society of Automotive Engineers' Annual Congress and Exposition, and the International Programmable Controllers' event - to display products and attract more customers outside GM.

Customers outside the group now account for 8 to 10 per cent of ACG's sales – but the group hopes to increase this to 20 per cent by 1993.

Philip Frame
in Detroit

Japanese component suppliers make increasing inroads into overseas markets

Battling for business in the US

AMERICAN vehicle component suppliers will be hurt by increasing competition from a new wave of Japanese parts' makers – "but they should be able to adjust and may be better suited to survival in hard times," a market researcher predicts.

There are now more than 300 Japanese affiliated plants in the US manufacturing automotive components, with the number growing by about three per month, according to market analysts.

If this trend continues, then by 1992 there would be nearly 400 Japanese suppliers in the US battling for business which, in the past, would have gone mainly to US companies.

The move of Japanese suppliers in the US follows closely the so-called "Japanese transplant automakers" now building cars in North America – some in joint ventures with America's Big Three.

More than 120 robots are used to make spot-welds at the Nissan plant in Smyrna, Tennessee, which now has an annual production capacity of 265,000 vehicles.

Mr Dan Luria, an industry analyst at the Industrial Technology Institute, (ITI), near Detroit, says that the $6bn investment by Japanese vehicle-makers in North American assembly operations is being nearly matched by their suppliers.

Depending on which projections are used, Japanese transplant business in the US could lead to a shake-out of 112,000 to 195,000 jobs, says Mr Luria. But while some people decry this loss, there are others who claim that the foreign investment is crucial to the restructuring of US manufacturing, he adds.

Although some Japanese component suppliers may have been drawn to the US by their traditionally close links with Japanese car companies, the main reason for moving was the rising value of the yen versus the dollar, observers believe.

"There's been a tremendous shift in the financial balance of incentives," comments Mr Michael Flynn, research scientist in the Office for the Study of Automotive Transportation at the University of Michigan.

He says the value of the yen versus the dollar has increased 93 per cent since 1985 - and, for Japanese component suppliers, this means that a part which cost $12 to export to the US in 1985, now costs $22.

At the same time, suppliers who may have been looking at building a manufacturing plant for $20m (or Y4.8b)n in 1985, have seen that cost decline to Y3.2bn in 1988, he says.

"Their choice in 1985 was between $12 parts, for example – or Y4.3bn for a new plant," he adds. "By my calculations, they are now looking at $22 parts – or Y3.2bn for building a plant here."

The relatively rigid nature of the component supplier structure in Japan also is leading some Japanese companies to explore the far more open atmosphere of the US – "if you're a lower tier supplier, your opportunity to grow is more limited in Japan than in the US," says Mr Flynn. "That makes a US location attractive because it offers the opportunity for building out their customer base by seeking US OEM (original equipment manufacturer) business."

The implication of these motives, he says, is that Japanese component suppliers become "a more serious threat beyond serving their traditional customers because they now are aiming at business held by US suppliers – the Japanese plan to make a very serious effort to pick up business from Chrysler, Ford and General Motors."

Some US suppliers are trying to turn the table on the Japanese by trying to sell to transplant automakers, but they are finding the task difficult, Mr Luria believes. Studies have shown that most of the contacts won by domestic suppliers have been for simple, generic parts with low engineering content.

Over-capacity in North American automotive manufacturing plants will not make the situation any better, he adds.

Honda, which has built cars in the US since 1982, built 360,000 cars in Marysville, Ohio, in 1988, and 80,000 cars in a plant which opened at Alliston, Ontario, in 1986.

- Nissan's plant in Smyrna, Tennessee, opened in 1983, and has an annual capacity of 265,000 units.
- Toyota's joint venture with GM – New United Motor Manufacturing in Fremont, California, opened in 1984 – can build 240,000 cars a year.
- Toyota just came on line last year with a plant in Georgetown, Kentucky, with a 200,000-unit capacity, and another facility in Cambridge, Ontario, which has a capacity of 50,000 last year.
- Mazda opened its US plant in 1987 in Flat Rock, Michigan with a capacity for 240,000 vehicles. This joint venture with Ford builds Ford Probe and Mazda MX6 models.
- Last autumn, Diamond-Star Motors, a joint venture between Chrysler and Mitsubishi, opened a 240,000 units a year plant in Normal, Illinois.
- Cami Automotive, the joint operation between Suzuki and GM in Ingersoll, Ontario, comes on line this year with the capacity to build 120,000 cars and 80,000 support-utility vehicles.
- Subaru and Isuzu this year will begin building 60,000 cars and 60,000 trucks in a plant at Layfayette, Ind.

And closely linked suppliers which have moved to the US with the car manufacturers clearly "are planning bigger things," says Mr Flynn - "they're facilitising their plants at a higher level than their Japanese customers require."

Car manufacturing capacity will outstrip demand by 30 per cent in the early 1990s, he estimates – but, because so many suppliers appear to be over-building, excess capacity on that level is expected to be about 56 per cent.

He comments: "Things are going to get tougher in the US auto industry. The focus on over-capacity has been on OEMs, but I think it will be tougher for suppliers."

Some economists believe the Japanese will almost certainly devastate the base of US suppliers, citing the weak dollar for giving the tranplants cheaper facilities, equipment and labour. Even if the Japanese are no more efficient than their US counterparts, says Mr Luria of ITI – "they're almost certain to beat domestic companies on cost."

The over-capacity problem comes on top of still-changing US supplier relationships with OEMs. The supply world has become "tiered," with top-tier companies that supplying parts to vehicle-makers needing systems engineering capabilities to continue at that level. Tier-two suppliers feed tier-one suppliers, and so on.

Domestic suppliers also are having more demands placed on them by OEMs to be more of a development partner for systems, components and tooling; to meet shorter lead times; and to raise quality to automaker-mandated levels.

There are also tough economic conditions to weather, evidenced by an annual decline in the US supplier base through business failures, mergers and acquisitions.

"You've got a real potential massacre out there," comments Mr Flynn. "There is apprehension from established suppliers that the Japanese are going to come in with a competitive advantage – because they are Japanese, they have the reputation, deserved or not, of better quality and higher efficiency. There's now an aura around any Japanese manufacturer."

He notes, however, that "if some of these Japanese parts' makers were as efficient as they are billed to be, they would be doing more business in Japan and wouldn't have to come to the US."

The Japanese suppliers will not be guaranteed success. While they may be starting out with a base of Japanese OEM customers, their success in the US "is going to depend on how well they pick up business from domestic OEMs," he believes.

As in Japan, there are strong ties in the US industry between component suppliers and vehicle-makers which will be hard to break into. But the really tough factor for the Japanese may be the very nature of the car business in the US. The Japanese automotive industry has been growing at a fairly stable upward rate for years, and Japanese component suppliers are conditioned to that.

The US industry has always has been volatile, with high peaks of success and valleys of poor sales, Mr Flynn notes.

Domestic suppliers learned valuable lessons in 1982 at the peak of the automotive industry's depression, which is how he describes the situation then: survivors learned what it takes to survive, even in bad times.

Japanese suppliers may not be totally prepared for this market challenge – "the cyclical pattern in the US could be real problem for them," he concludes.

Philip Frame

New inroads into the Japanese market

Foreign suppliers take the plunge

WHEN Nissan Motor Company begins installing anti-lock brake systems made by the US company, Kelsey Hayes, on its pick-up trucks and Terrano utility wagons, sometime next summer, it will symbolise a *trend unimaginable even a few* months ago.

The Japanese vehicle parts market has for long time looked impenetrable to most foreign parts suppliers. Ironically, just when Japanese parts' makers are heading overseas to escape a limited domestic market and expand along with the 'transplants' of the Japanese car-makers, the gateway in Japan to foreign parts' makers appears to be opening.

Although Nissan spokeswoman, Miyuki Abe, says "it's not quite 100 per cent sure – but we're positively thinking about it," reliable industry sources say the deal with Kelsey Hayes for the ABS units is already a reality.

It means a contract for 7,000 ABS units, half of those to be used for production from Nissan's Smyrna, Tennessee plant, starting in 1990.

Nissan is tight-lipped about the value of the deal, with "further details yet to be determined." But brake systems are an essential high-tech safety item and production volume of brake systems in Japan has been among the highest of any key car part.

While this is not the first time a foreign parts company has supplied OE (original equipment) to a major car manufacturer in Japan – the US conglomerate, Allied Signal's subsidiary, Garrett Turbo already supplies Nissan with turbo-chargers – the issue of how foreign parts suppliers can make inroads in Japan's OE market has been a volatile one long before it was added to the US-Japan MOSS (market-oriented, sector-selective) trade talks in 1986.

The "Auto Parts MOSS," a part of general negotiations aimed at *eliminating barriers* to foreign imports to Japan, focused on private sector barriers to foreign auto parts in Japan, and wound up in August 1987.

The goal of the talks was to stimulate long-term relationships with Japanese car makers so that foreign suppliers could improve chances of selling them OE products, which, in Japan, are known as "genuine" parts.

In Japan, patents for parts belong to the suppliers who make them, so any long-term ties with a vehicle maker depends on getting-in on talks with car company engineers at the design stage.

"Japan is a stepping stone to the rest of Asia," a US Embassy spokesman said. Japan, the biggest exporter of technology to the rest of the world, is recently investing substantially in countries such as South Korea and Taiwan.

Production and investment by Japanese parts suppliers in Asian countries showed a steady increase during the mid-1980s. By 1987, around 186 technology licencing link-ups and 140 manufacturing affiliates of Japanese parts' makers were already set up just in other regions of Asia – up about 30 and 20 respectively from 1986, according to the Japan Automobile Parts' Industries Association, (JAPIA).

And ambitious foreign part-makers with the resources are not blind to the trends. The Japan Automobile Manufacturers Association (JAMA) lists about 15 major US and European auto component players that have firm roots in Japan through tie-ups or otherwise.

Most or all are OE suppliers to Japanese car-makers and all *are more* than 25 per cent owned by the foreign parent company, some even 100 per cent.

In April, *a somewhat bizarre* twist was added to the foreign vehicle parts scene when the Texas take-over specialist, T. Boone Pickens snatched 20 per cent ownership of Japanese vehicle parts giant, Koito Manufacturing, eclipsing even Toyota's share in its own affiliate.

Japan's business community was shocked, and the newspapers gave the story prominent coverage for weeks, while the Government went through the motions of determining if the deal was legal.

Small wonder – the Perkins move was a radical reversal of what is now a familiar routine of foreign investment by Japanese companies in the West.

JAPIA data show 84 of its member-companies had already set up foreign affiliates in the US *alone*, with another 20 committed to moving over sometime early this year.

Since some JAPIA members have more than one company, the actual total of member parts producers in the US is over 100. But only 380 of the biggest parts' makers are JAPIA members.

There are 10,000 altogether, including secondary and tertiary subcontractors, according to JAMA.

More than 160 Japanese-affiliated parts suppliers had, by mid-1988, already set up shop in the US or said they would do so – "if current trends continue, the Japanese automotive industry will take over larger shares of the American market for components as well as finished vehicles," according to a June, 1988, US Embassy industry analysis of the Japan auto parts market.

A study by the Mitsubishi Research Institute found that cut-throat competition among car-makers for a limited slice of the domestic market means that makers "will have to re-organise their parts' procurement system at a world-wide level."

The trend in autoparts of the future is, in a word, ceramics and electronics, the study says. Space and weight considerations are the main reason for this. Other materials contributing to the car of the 1990s: high-strength steel plate, surface-treated steel sheet, aluminium and engineering plastics, the study says.

However, the study did not say where the parts will come from – while procurement of US-made parts is rising in Japan, experts say it mainly reflects the strong yen and the proliferation of the Japanese parts suppliers.

The GAO MOSS talks report grimly points out that of Japan's estimated \$50bn auto-parts market in 1986, the total import share was just two percent – and the share of the total exported by US parts' makers amounted to about a third of that, or around \$335m.

The association says that Japan's car *parts' market* is expected to grow a little faster than the 1.6 percent predicted for the car market, due to *strong demand for materials* and electronics. With internationalisation of the Japanese parts' market, this now looks *like the right time for foreign* parts makers to take the plunge for the Japanese and Asian parts market.

"You can have the best product in the world, but you can't sell it unless you have up-front investment and push it," says an industry analyst in the US.

Chris Perry

Fifteen major US and European component makers have firm roots in Japan through tie-ups and otherwise. *Above: a car assembly line at the Nissan factory at Murayama, Japan.*

JAPAN

A shrinking domestic market

AS JAPAN'S car-makers expand their overseas production bases, they are being followed by their longtime domestic parts partners, who face a shrinking market back home.

Although critics claim that the close, co-operative relationship between suppliers and manufacturers is being 'cloned' overseas – thus locking out foreign shops – Japan's biggest manufacturer, Toyota Motor Corporation, claims that any parts maker which can meet the ground rules, non-Japanese or otherwise, is eligible for its rolls.

"It's not so much who's *behind a supplier, as what they* make," a Toyota spokesman said during a recent interview at the company's Tokyo offices.

And a 1987 *Mitsubishi* Research Institute study acknowledges "a stable transaction relationship between *automobile manufacturers and* traditional suppliers" in the past, but also points out a trend toward more parts procurement from "non-traditional" suppliers.

To back its claim, Toyota says it will depend mostly on out-sourced parts from EC areas after it begins production at its Derbyshire, England plant in late 1992. The company says its local parts content targets are 60 percent in the first year and 80 percent by mid-1995.

Toyota spokesman Atsushi Tomoto also says that parts made in Kentucky, US, for its Camry model have begun to be evaluated for use in models produced for the Japan domestic market.

While Japan's car makers are often accused of buying most of their local parts from Japanese suppliers, Mr Tomoto says Toyota also purchases parts from US and Canadian suppliers who make the grade. A lot of the Japanese parts makers in the US are local joint ventures and licensing agreements, he adds.

Meanwhile, Toyota is buying *more and more* parts from Asian countries such as Taiwan and Thailand, which have strict local content ratios and produce lower value-added parts which Japanese companies cannot compete against.

Continued on page 5

In West Germany, rising costs have darkened the picture for component manufacturers. Above, staff at the Mercedes-Benz plant carefully check base-paint colour matching while, (below left) wheels are fitted to a vehicle with a multiple wrench in the Daimler-Benz plant at Bremen.

Supplier case study: Ichikoh Industries of Japan

Changing demands

IN A pattern which is familiar in Japan, Ichikoh Industries traces its history back to a small, specialised, family business which even today provides an echo of the modern company's activities.

The company was founded in 1903 and began by supplying white light oil and signal lamps to the nation's railway system. Today, it is Japan's second largest producer of lamps for use in cars and is its leading maker of vehicle mirrors. The company is based in the Tokyo region, with three main manufacturing plants and 3,400 full-time employees.

In common with Japan's other vehicle parts' makers, the most pressing current issue facing its management is the major shift towards local production overseas by the car manufacturers, its key customers.

The closeness of Ichikoh's relationship with, and thus heavy dependence on, these manufacturers is reflected, again typically within the industry, in the make up of its shareholders. Nissan is by far the largest investor, while Toyota, Isuzu and Daihatsu also have important stakes in the company.

Nevertheless, Ichikoh maintains that a move into Europe, to match the car producer's decisive expansion, is not something which will occur automatically.

Mr Masaaki Suzuki, general affairs department manager at Ichikoh, recalls the difficulties involved in learning about and adjusting to an entirely new market which became apparent when Ichikoh made its first move overseas in 1984 – starting a joint-venture vehicle lamp-making operation in Illinois, in the US, in partnership with two other car makers, one Japanese and one West German.

"It's now over four years since we began our operations in the US, but they're still not profitable, so it's not easy to shift overseas," he says. "At present, we have no plan to move into Europe, but we are concerned about the changes in 1992 and are looking at the risks and possible returns of such a move."

Kleinwort Benson analyst Steve Usher argues, however, that Ichikoh has little real choice in the matter while its main customer, Nissan, is planning a production capacity within the European Community of around 600,000 units.

"Under these conditions, Ichikoh can't possibly expect to keep growing if it doesn't follow the big car-makers into Europe," he says.

Usher also believes that the Japanese car makers will seek the co-operation of their native suppliers in supplementing locally-produced parts, as the Japanese parts' makers can offer a close understanding of their operating practices and have a proven ability to respond rapidly and flexibly to the automaker's requirements.

Ichikoh's close contact approach to its customers is affirmed by Mr Suzuki, who says that the company's salesmen and engineers "visit the car makers' technical centres virtually every day."

The company is also striving to adapt to changing patterns in demand.

The company's efforts to match requirements are also reflected in a vigorous research and development programme, staffed by 300 engineers and technicians.

The company allocated Y4.7bn yen to R&D activities in 1988 and owns 105 patents in Japan and 42 patents overseas. A key recent product of this effort is a new line of in-house developed projector headlights and fog lamps which promise to offer a greater lighting capability, using less power, by the elimination of light dispersal.

While the question of overseas expansion does provide a dilemma for the Tokyo company, it is approaching the future with healthy finances and a creditable track record. Sales during the financial year, ended in March 1988, amounted to Y92.9bn, with lamps and rearview mirrors accounting for 57.4% and 28.4% of the total, respectively.

Roy Garner in Tokyo

Manufacturer's profile: Bosch of West Germany

Vulnerable colossus

THERE are independent vehicle component makers – and there is Bosch.

Whenever even some of the largest independent European component makers talk of their plans for expansion or restructuring, they not infrequently add the rider: "of course, we don't expect to be another Bosch . . ."

The usually envious, unwilling compliment to Stuttgart-headquartered Robert Bosch GmbH is certainly justified in terms of size.

With a turnover of DM 25.37bn in 1987, the last year for which figures are available, and with more than 160,000 employees – some 111,000 of them in West Germany – the 103-year-old Bosch is the colossus of the independent automotive components world.

Nippondenso of Japan, probably its nearest rival, is not much more than half its size; the combined turnovers in 1987 of Valeo of France, Magneti Marelli of Italy and GKN and Lucas of the UK totalled only fractionally more than Bosch's.

It is also a target, and a vulnerable one at that.

Vehicle makers, almost all of whom are dependent to some degree on sophisticated Bosch components would not be entirely sorry to see more powerful challengers to Bosch.

This is not particularly because they are resentful of the muscle that Bosch wields but because they are haunted by the metalworkers' strike against Bosch five years ago which came close to shutting large chunks of the European motor industry.

When rivals talk of the need for conquest business, it is a piece of Bosch's vast territory they are quite likely to covet.

While smaller groups like the UK's GKN have fallen over themselves to set up manufacturing in the world's main vehicle-making regions Bosch has been slow to follow.

The result is that although 50 per cent of its sales were achieved outside West Germany in 1987, more than 80 per cent of turnover was accounted for by goods produced inside West Germany.

This has put Bosch increasingly at odds with demands by vehicle makers for component suppliers to move manufacturing closer to vehicle assembly lines in pursuit of "just-in-time" inventory advantages.

Even more important, it has left Bosch with an increasingly expensive costs base as the value of the Deutsche Mark has soared along with West German pay rates. By Bosch's own calculations, its average employment costs for a German worker in 1987 was DM33 (£10.60) an hour compared with DM18 for a British counterpart.

Such is the length of Bosch's history – it began life in 1886 when Robert Bosch opened a small Stuttgart "workshop for precision mechanics and electrical engineering" – and such its size, that less than 20 per cent of output still means the presence of 31 manufacturing plants outside West Germany.

Bosch executives acknowledge that moves to locate more production outside the country are belated.

However, they are now gathering pace. One measure is that investment in foreign facilities last year accounted for 28 per cent of Bosch's DM2bn capital spending, and Bosch has every intention of *increasing this percentage*.

Its latest investment project outside of West Germany was announced only two months ago, in the form of a £100m facility initially to make latest-generation car *alternators on a 150-acre site* at Miskin, south Wales.

The plant, which will employ 1,200 people by 1995 is expected to be making at least 5m alternators a year. A further 1,500 jobs are expected to be created among Bosch's own suppliers in the UK.

A significant percentage of output is to be exported to Bosch customers on the Continent, underlining the relative cheapness of the UK as a production base.

However, the principal carrot drawing Bosch towards the UK – after seriously considering even cheaper Spain – is projections by motor industry analysts and Bosch's own research that by the late 1990s UK car production will have jumped to more than 2m units a year – from 887,000 in 1982.

And even more attractive is that as many as ¾m of those units could be from Nissan, Toyota and Honda, with whom Bosch clearly has a strong vested interest in cementing closer relations, given their protestations that they will source as many components as possible within Europe.

Assuming this scenario it is expected that alternators would then emerge as only the initial investment in Wales – with Bosch introducing more components on what is a much larger site than needed solely to produce alternators.

The incentive for Bosch to follow such a course, not just in Wales but in the rest of Europe, is also strengthened because it has no particular desire to see Japanese rivals like Nippondenso, with whom it has extensive product overlaps, establishing a large presence in what Bosch regards as its own back yard.

In North America, however, it's a case of if you can't beat 'em, join 'em.

While it is building several plants of its own in order to increase its relatively low level of sales to US and Canadian vehicle makers – only 10 per cent of Bosch's motor component sales are *made in* North America – it has negotiations with Nippondenso about possible joint ventures to supply components *to* Japanese-owned car and light commercial vehicle producers in North America, whose combined capacity by 1990 is expected to exceed 1.5m units a year.

John Griffiths

Japanese market

Continued from Page 4

Mr Tomoto says Toyota is buying high labour-intensive products such as cord wiring harnesses from one Japanese parts supplier that has set up overseas plants in several Asian locations, as well as in Mexico and Australia.

One obstacle to US parts' makers trying to tap the Japanese parts market is the structure of Japan's production-efficiency systems. Toyota's "just-in-time" system, designed to eliminate *muri* (over-burdening), *muda* (wasteful excess) and *mura* (inconsistencies) often requires delivery of parts with only two hours' advance notice given to a supplier.

In order to meet the delivery schedule, parts' makers have to locate their facilities within a designated distance from Toyota plants. Japanese auto makers such as Toyota do not keep parts' inventories or run parts' inspections, which are up to the suppliers themselves.

Quality has been another weak point for foreign parts' makers. The Mitsubishi report says the defective parts rate for US imports ran 0.35 to 2.6 percent — far higher than for Japanese-made parts (0 to .01 per cent).

And the quality of parts is a major obsession of Japanese car-makers, who depend on outside procurement (out-sourcing) for more than two-thirds of all their parts. This is in contrast to US car-makers, who make almost half their parts in-house, according to the Mitsubishi report.

Mr Tomoto, who worked several years in Toyota's international department, says four principles govern Toyota's ties with its suppliers:

☐ Setting up long-term, stable transactions.

☐ "Improving" quality; competitive pricing.

☐ Re-inforcement of the transaction basis.

☐ Multi-sourcing procurement.

Price and quality are the bottom line — "we always request a competitive price and superior quality under any circumstances," Mr Tomoto says, adding that this applies equally to both foreign and domestic suppliers.

The last of the four principles ensures that price and quality stay up to requirements. Ninety percent of Toyota's 340 current suppliers are overlapped. For example, the company obtains the same lighting (head-lights, tail-lights, and so on) from three different parts' makers.

Multi-sourcing procurement "keeps them honest and keeps the industry moving, too," as another Toyota spokesman puts it. The Mitsubishi report found that an average of 2.2 parts' suppliers are involved in making one part for each of Japan's vehicle-makers.

The forum for re-inforcing the key principles of a vehicle-maker's ties with its parts suppliers is the association of co-operative parts' makers, called *Kyoryokukai*. Mr Tomoto says the association is "voluntary" and premised on being mutually beneficial and competitive at the same time.

The Parts Association works on a principle of "face to face" contact between a group member and their counterparts at Toyota, adds Mr Tomoto. This means that engineers, managers, quality control personnel and so on, from both sides meet on a regular basis to discuss familiar themes: cutting costs, improving quality and technical development.

Parts suppliers often belong to the parts associations of four or five vehicle-makers at the same time. This differs sharply from the "point-to-point" contacts of sales and purchasing departments used widely in the US, he says.

The Parts Association is divided into two groups, the parts suppliers and the makers of plant equipment. Meeting with their counterparts at the vehicle-maker is not the purpose of the parts association. Suppliers also meet formally in sub-groups among themselves according to what kind of parts they make.

Discussions among suppliers range from general operations tactics to matters as trivial as replacing a piece of office equipment. At the same time, suppliers strive to protect technical secrets that may give them an edge over their competitors, Mr Tomoto says.

"In the West, you already had a strong industrial base, so you didn't have to think this way. Only by developing intimate ties with suppliers could high quality products be obtained (in Japan) for a low price," he adds.

But times have changed. The Mitsubishi report found that globalization of the automotive industry will intensify competition, making cost, quality, delivery and technology considerations even more important to Japanese vehicle manufacturers.

Also, in Japan full model changes occur every four years, twice as often as in the US and Europe. These days, four or five parts-makers are invited to compete for parts contracts for the new models.

Just a few years ago, vehicle-makers only invited two or three suppliers to compete for new contracts.

Together with the parts associations, the long-term contract plays a major role in promoting the goals of both the parts suppliers and the automakers.

The long-term contract lays down the ground rules in the relationship and is automatically renewed, allowing a competent supplier to invest and push research and development with minimum risk.

After the contract is established, parts will be continually ordered and supplied for the duration of the contract, which provides the basis for developing an "intimate, special relationship," according to another Toyota spokesman.

Chris Perry

UK suppliers make progress in productivity and quality

Driving out of recession

WITH SOME of the longest working hours and lowest wages in the European motor industry, the UK has become one of the more attractive sources for automotive components in western Europe.

The UK components industry has made significant progress in both productivity and quality, but it still appears to be too fragmented and faces a significant challenge in restructuring to create more companies able to compete successfully in the global automotive market.

The components sector is set to benefit, however, from a series of decisions by Japanese vehicle makers to make the UK their favoured location in western Europe for vehicle assembly. It appears that component makers will have a stronger domestic customer base to count on in the next decade than appeared possible at the beginning of the 1980s.

The British motor industry is gradually climbing out of the depths of the recession of the early 1980s and continental European car makers, particularly those based in West Germany, are increasingly seeking to re-source components to the UK.

General Motors, for example, has re-allocated £450m of components purchases to the UK in the three years from 1986 to 1988, of which Vauxhall, its UK subsidiary, has accounted for £200m and GM's continental European assembly operations led by Adam Opel of West Germany, have accounted for £250m.

Overall UK car production increased last year by 7.3 per cent to 1.23m, the highest level achieved since 1977 and a 38 per cent improvement from the 888,000 cars produced in 1982, when car output slumped to its lowest level since the late 1950s.

Car output is still well below the peak of 1.92m reached in 1972, but British motor industry leaders now believe that production could again scale these heights in the second half of the 1990s, which bodes well for the fortunes of UK-based components makers.

Commercial vehicles are also sharing in the recovery. Commercial vehicle production last year was 29.2 per cent higher than a year earlier at 318,013 compared with 246,727 in 1987, the highest output achieved since 1980.

The components industry has not been without its set-backs, most notably Ford's decision last year to scrap its plans for locating an automotive electronics plant in Scotland in the face of trade union wrangling over a single union agreement.

Ford has made the UK its main European location for engine production with its decision to invest £725m to build an engine plant at Bridgend, south Wales, a move claimed by the company to be the largest single investment ever made in an automotive engine plant anywhere in the world.

The UK is attracting more investment from Japanese and European companies

The plant will be built at the site of the company's existing Bridgend engine plant, which came on stream in 1980 following an investment of more than £180m. It will have a capacity for producing up to 850,000 engines a year, compared with the present capacity of about 500,000 units a year. Production of the new generation of multi-valve, lean-burn petrol engines is due to begin in the summer of 1991. About 60 per cent of output will be exported to Ford's continental vehicle plants.

According to Ford the investment will create about 3,000 jobs in the UK. The impact of the Bridgend investment is already being felt. Montupet, the French automotive components group, is investing £90m in a plant in Belfast to build aluminium cylinder heads, primarily for supply to Ford, a move that will create about 1,000 jobs.

Ford is investing about £50m to re-equip its engine components plant in Belfast in order to supply oil and water pumps and fuel injection components to the Bridgend facility.

The UK has been given a new seal of approval as a production location for automotive components by the recent decision of Robert Bosch of West Germany, one of Europe's leading automotive components suppliers, to establish its first UK manufacturing plant.

Bosch is to invest £100m to build a plant in south Wales for the production of a new generation of compact alternators, which are considerably lighter and smaller than existing products. The company expects to employ more than 500 people at the start of production in 1991 with the workforce rising to more than 1,200 by 1995. A further 1,500 jobs could be created among its British suppliers. Bosch expects to produce about 5m alternators a year by the mid-1990s.

The present attractiveness of the UK for the world auto industry was amply confirmed by the recent decision of Toyota, the leading Japanese vehicle maker, to locate its first European car plant in the UK with a £700m investment at Burnaston, near Derby. This plant is scheduled to produce about 200,000 cars a year during the second half of the 1980s.

The impact the Toyota plant will have on the European — and chiefly the UK — components industry can be judged from the development of the Nissan car plant at Sunderland in north-east England, which is planned to reach an output of 200,000 cars a year by 1992/93.

Both Nissan and Toyota have agreed with the UK Government to reach an 80 per cent local content level, and Nissan says that it will be spending £450m a year with local component suppliers in both the UK and in Europe when it reaches full production.

The importance of the components sector to the UK motor industry was underlined by a recent study produced by the Institute of Manpower Studies, which showed that the automotive components industry, including electrical equipment and tyres, accounted for some 139,000 jobs in the total direct employment in the motor industry in 1987 of 289,000. It generated nearly 50 per cent of motor industry employment income at £1.94bn out of a total for the sector of £4.02bn.

The report, The Economic Significance of the UK Motor Vehicle Manufacturing Industry, says that the large UK components companies like GKN, Lucas and T&N, have made profound changes of strategy since the recession years.

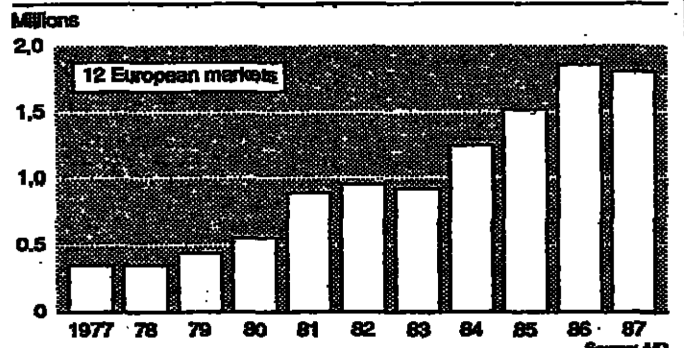
The components industry has offered one of the few bright spots in the UK motor industry balance of trade with components exports continuing to rise significantly in spite of fears that the relative strength of sterling and a possible softening in demand in world auto markets would hit foreign sales.

Exports of parts and accessories rose by 26 per cent in the first quarter of 1989 to £965m, following a jump of 12 per cent to £3.3bn in the whole of 1988.

Like the whole motor industry, the components sector is still in deficit, however, as parts imports continue to rise inexorably on the back of the very high level of imported car sales. Imports accounted for 56.4 per cent of the total UK new car market in 1988.

Kevin Done

Diesel car registrations



Source: AID

Profile: Lucas Automotive

Production sites in 19 countries

Mr Bob Dale, managing director, Lucas Automotive: setting high targets.

THE DECISION of the two biggest Japanese car makers to set up their European production in the UK should provide a welcome bonus for Lucas Automotive.

This, the biggest division within Lucas Industries, has long had links with the Japanese who have known the UK organisation's technology through licensing deals dating back to the 1960s. More recently, Lucas Automotive established joint ventures with Yuasa and Sumitomo.

Lucas already supplies Nissan in the UK, the first Japanese group to establish an assembly plant there.

Now that Toyota, largest of the Japanese automotive groups, is to set up in Britain, there should be more business for Lucas because Toyota has undertaken to achieve a very high level of local (European) content.

There is little doubt that Honda, third-largest of the Japanese groups, will before long follow its two rivals and move into the UK with its own assembly facilities and add to the revival of car assembly in Britain — to Lucas's benefit.

Lucas was among the first UK motor component companies to establish an international presence and today has manufacturing sites in 19 countries and achieves 46 per cent of its sales in continental Europe. However, it sustained severe damage when car production in the UK fell by half during the 1970s.

The most recent manifestation of that damage was the sale of businesses representing about 10 per cent of Lucas Automotive's sales. The lighting business and the 12-volt starters and alternators operations were sold to Fiat; a 50 per cent stake in Ducellier was disposed of and the Birmingham battery plant was injected into the joint venture with Yuasa.

Mr Bob Dale, managing director-automotive of Lucas Industries, says the group decided three years ago that some of the businesses were not central to its future because they did not represent the core of its future technologies.

Mr Dale, now 50, has had a long career within Lucas which he joined in 1960 as a graduate apprentice. Today, he is in charge of the newly-formed Lucas Automotive which was launched in October 1987 at the same time as the structure of Lucas Industries was radically changed.

The automotive operations have been reorganised into seven divisions:

■ The car braking and heavy duty braking divisions are both based on the former Lucas Girling subsidiary which has plants world-wide and is already heavily involved in developing and making high-tech products.

■ The diesel systems division also operates on a global scale and is a major supplier of diesel fuel injection systems under the Lucas CAV name.

■ Car engine management

Continued on Page 6

French suppliers braced for tough competition

Search intensifies for new alliances

THE FRENCH car components industry has regularly held the headlines in France during the past months – not surprisingly, since the sector has been enjoying boom times with a buoyant domestic car market, which again chalked up a record level of new registrations last year of 2.2m cars, following an earlier record of 2.1m cars the previous year.

France's two large volume car producers, the private Peugeot-Citroen group and the state-owned Renault company, have both recently confirmed their strong recovery.

Distant seem the days when the two car groups appeared on the brink of a financial precipice. In April, both Peugeot-Citroen and Renault reported record profits of nearly FFr 9bn each.

The country's car components industry has inevitably been carried by this strong profitable swell in the domestic vehicle sector. It has had obvious repercussions on the financial performance of car component suppliers and it has focused attention of investors – French and foreign – on the potential of these suppliers.

It is no accident that the car components industry in France provided the stage last year for one of the fiercest fought takeover battles in recent French financial history. It was launched by Valeo, the country's leading components group which itself was the subject of a foreign takeover bid by Mr Carlo de Benedetti, the Italian businessman, three years before.

Mr de Benedetti had, early on, identified the potential of a company like Valeo. After seizing management control of the company and appointing a tough new chairman, Mr Noel Goutard, the Italian financier and his French associates set about accelerating the recovery of the French components company.

Within 18 months, profitability was doubling at Valeo.

Once Valeo's balance sheet was reinforced, Mr Goutard, the new chairman, set about expanding the group's international presence and critical size. The Paris Bourse was thus not altogether surprised to wake up one day last year to

Alan Harper

The larger French component makers have sought to broaden their penetration abroad in recent years. Above: a spot welder at the Peugeot-Talbot works at Ryton, Coventry.

find Valeo bidding for control of Epeda-Bertrand Faure, another leading French components company which specialised in making car seats.

Mr Pierre Richier, the chairman of Epeda, immediately rejected the unwelcomed advances of Valeo. At one stage, Valeo seemed set to win the battle, but Mr Richier stubbornly resisted the siege launched against his profitable company by Mr Goutard.

Epeda secured the support of both Peugeot and Renault as well as of the Michelin tyre group. This ultimately persuaded Valeo to drop its hostile bid, although Mr Goutard has since been pursuing his expansion and acquisition strategy with a number of other significant joint ventures and takeovers, albeit not of the same scale as the Epeda bid.

In turn, Epeda has also been multiplying alliances and joint ventures with foreign partners in an effort to reinforce its own defences, but also to build up its international presence to enhance its competitive position in an increasingly global automobile market.

Indeed, one of the characteristics of the French car components industry in the last few years has been the sustained efforts of suppliers not only to increase their critical size, but to invest in foreign production facilities to be close to their customers.

For a long time, component suppliers in France relied essentially on their domestic market and the international openings offered to them by the two big French volume car makers. However, during the last few years, the larger French components companies have sought to broaden their penetration abroad and their customer bases.

The two French car producers have actively encouraged the rationalisation and internationalisation of the country's components industry to enhance their own productivity and competitiveness.

Indeed, both French car producers have dramatically rationalised their own supply sources. The Peugeot-Citroen group, for example, had about 2,000 suppliers eight years ago. The number had already been reduced to just over 1,200 suppliers by 1986 and the figure has since declined further to under 1,000.

As for the state Renault car group, which had about 1,400 suppliers four years ago, it now has reduced the number of its suppliers to around 900.

But while encouraging concentration and rationalisation of the components industry, the two domestic car manufacturers have also been anxious to see France maintain a strong independent components sector.

For this reason, the two French car makers were initially concerned by the decision of Matra, the French diversified defence, transport and electronics group, to merge its car components operations with those of the Italian Fiat group in a major European partnership.

Before giving their reluctant approval to the Matra-Fiat deal, the French car manufacturers had first to be persuaded by the Italian car group that their interests would not be undermined by the Matra deal.

It was for the same reason that the two French car manufacturers rallied to the cause of Epeda-Bertrand Faure when the car seat-maker came under attack from Valeo. Both Peugeot and Renault indicated that they preferred to see Epeda remain a strong independent domestic company, rather than move into the orbit of Valeo and Mr de Benedetti.

But further concentrations and rationalisations are expected to take place in the near future in the French automotive parts sector with the opening of the European single market in 1993 and the increasing globalisation of the automobile industry in general.

Moreover, these rationalisations are likely to be all the more pressing if, as expected, the current upbeat cycle of the French and European car industry finally turns.

Most French car industry analysts expect the domestic market to slow in coming months after the remarkably strong growth of the last two years. The large French car component suppliers are clearly aware of the new challenges and pressures which a downturn in the car market cycle could produce.

For this reason, they have intensified their search for alliances, joint-ventures and acquisition opportunities to prepare for a toughening in the broad international competitive environment of the vehicle industry.

Paul Betts in Paris

Valeo, the French manufacturer, shows remarkable recovery

Ambitious expansion plans

VALEO, the leading French car components manufacturer, has staged a remarkable recovery during the last 18 months. Under the management of its tough chairman, Mr Noel Goutard, the French group has also adopted a particularly aggressive approach to international expansion and growth by negotiating a whole series of acquisitions and joint venture agreements in all corners of the globe.

For two decades, Valeo has been at the centre of France's long and arduous efforts to constitute a strong and concentrated independent domestic car components industry.

Already in the early 1970s, the French authorities were encouraging a broad restructuring of the French car components sector around Valeo.

Even before Mr Carlo de Benedetti, the Italian businessman, took management control of the company in 1986 and appointed Mr Goutard as chairman, Valeo had absorbed a long series of domestic car components companies including SEV-Marchal, Paris-Rhone, Motorola-Alternateurs and Ducellier.

But it is only after Mr Goutard was put in charge of Valeo's future by Mr de Benedetti that the group's recovery really took off.

A former Schlumberger and Thomson executive, Mr Goutard wasted little time in both strengthening Valeo's financial base and expanding its car components operations. Indeed, he often likes to say that speed is a key element in his strategy.

When he took over, Valeo was still in a fragile financial state as a result of years of costly restructuring and soft management. Mr Goutard immediately set about cleaning up the balance sheet of the company and complete the restructuring that was left to be done. At the same time, he has been seeking to boost the business through internal growth, joint-ventures and acquisitions.

Sales have been built up to FFr16.5bn last year from FFr12bn in both 1986 and 1987.

Although sales have risen sharply, the group's workforce has remained at the same level of about 28,000 people of two years ago. Profits doubled last year to FFr890m from earnings of FFr440m in 1987 and a loss of FFr388m in 1986.

Debts have been substantially reduced from FFr2.1bn at the end of 1987 to just under FFr1bn.

Mr Goutard has also completed the recentring of Valeo's activities around its core car components business – "our business today is 100 per cent in cars," he said recently.

"When I took over, 10 per cent of our sales were still outside the automobile sector."

Although overall sales have risen sharply during the last two years, Mr Goutard says that Valeo with its FFr 16.5bn annual turnover is still a "relative gnome" in the world league.

Valeo ranks today as Europe's second largest car components group after Bosch of West Germany – but Bosch's turnover is nearly three times bigger.

Mr Goutard likes to say that his group is part of a global industry and that his customers, the car manufacturers, are all global companies.

"We are microscopic when you consider that the total sales of the European car components industry currently total about FFr 420bn and that they are likely to grow to FFr600bn over the next ten years," he remarked recently.

For this reason, Mr Goutard immediately launched the group into an ambitious expansion programme through acquisitions and joint ventures.

In the last two years, he has absorbed the radiator, car cooling and heating systems businesses of the French Chausson group, acquired another French components company Nieman, invested in ventures in Turkey, Brazil, the US and South Korea.

One of his most recent acquisitions is Delanair, the main manufacturer of car air conditioning and heating systems in the UK. The takeover is designed to help Valeo, which up to now has been particularly strong in the southern European markets, to strengthen its penetration in the UK car market:

Mr Goutard has also adopted an extremely outgoing attitude to Japan signing licensing agreements with a number of Japanese components manufacturers including Nippon Denso, Kokusan, Mitsuba and Akebono.

These agreements reflect Mr Goutard's efforts to try to establish Valeo as an important supplier to Japanese car manufacturers in Europe.

Indeed, Mr Goutard is convinced that Japanese penetration of the European car market will inevitably increase in coming years from its current level of around 10 per cent as new Japanese production facilities open in the EEC.

But undoubtedly his boldest move to build up the critical size of Valeo was his thwarted FFr2.4bn bid for control of Epeda-Bertrand Faure, another major French car components group specialised in making car seats.

Mr Goutard claimed that Epeda offered Valeo complementary assets and represented a good business fit for his company. However, Epeda fiercely resisted Valeo's hostile bid and finally won the day after securing the support of France's two big car producers, the private Peugeot group and the state-owned Renault company.

When his main customers openly showed their disapproval against the Valeo move, Mr Goutard reluctantly withdrew his bid. But this relative setback has not stopped Mr Goutard pursuing his expansionary international strategy as his recent acquisitions and joint ventures have eloquently demonstrated.

Paul Betts

Widespread optimism among component suppliers

Profitable times in Italy

"THERE is widespread optimism among our members," says a spokesman for the components division of ANFIA, the association grouping companies in the Italian automobile industry.

"The main problems are saturated production capacity and difficulties in finding specialist staff. There are not enough engineers," he says.

New vehicle registrations are moving strongly ahead, creating a firm upward demand trend for components.

These are profitable times for the Italian components whose components are used in building or spares for Fiat's vehicles and those of makers in France and Germany. ANFIA reports that the labour climate is good and output is not suffering disruption from strikes.

The association estimates that total production of vehicle components in Italy was worth L13,000bn last year. Its 60 members, including the largest of Italy's components makers such as Magneti Marelli, Valeo, Bendix, Gilardeni and Riv-SKF, accounted for L6000bn.

Behind the front line of major manufacturers a myriad of medium and small companies supplying either the carmakers, the spares market or the majors themselves, shared the other L7000bn.

But large or small, all Italy's components manufacturers continue to feel the effects of a profound mutation in the structure of the industry.

"Over recent years, the concept of automobile-making has changed radically," says the association. "Before, vehicle-makers preferred to maintain control over components by manufacturing in-house.

"Now, apart from body panels and traditional mechanical assemblies like engine, gearbox and transmission, there is increasing tendency away from manufacture and towards assembly only."

This trend is creating a distinct pyramid structure in Italy's components and sub-assemblies or unit sectors, says the association. Many suppliers possess their own research and development facilities and work closely with the car makers. Production from second level firms, often without their own technology, supplies the first level.

Though its structure may be changing, some features of the Italian industry are unaffected. One unchanging characteristic is the concentration of firms in the north of Italy, near to Fiat Group factories in Turin and Milan, and close to frontiers for exporting to France and Germany.

Such a proliferation of suppliers in Piedmont, Lombardy and the Veneto is understandable, given the vicinity to markets and the availability of skilled labour. Nevertheless, there are some pockets of component makers in the centre whose output is not destined just for the robotised Fiat factory producing the new 'Tipo' model at Cassino, 60 miles north of Naples.

Some major components' makers have chosen the central Adriatic coast to build factories over recent years. The state-owned glass-maker, SIV, has its plant at San Salvo, towards the Apulian heel, where windscreens and windows are produced for many vehicle makers. In the nearby Sangro Valley, a large Piaggio subsidiary makes turbo compressors and pumps; while, further north at Pescara, a Pirelli subsidiary makes transmission belts.

Numerous small and medium-sized companies have set up along the coastal strip of the Abruzzo Region to take advantage of a combination of a skilled and adaptable labour force and regional development assistance. And a pocket of components' makers, enjoying similar regional aid, exists in the Frosinone industrial area mid-way between Rome and Naples.

Even so, ANFIA reports that 80 per cent of its members and 88 per cent of their 50,000 jobs are in the north of Italy.

Whether north or south, if the association's forecast is correct, the number of manufacturers operating in the sector will decline – "without doubt, auto makers will seek further quality improvements from the components sector in coming years. In part, these will probably be obtained by larger company size," says ANFIA.

The growing emphasis on quality also affects the extremely large number of suppliers of the after market, a segment which takes only one fifth of the production from ANFIA's members.

"Even in this segment, companies face an increasing requirement to supply the market with products satisfying technical standards and the quality levels of original equipment."

The association is concerned about the stagnant level of after market sales in Italy, itself caused partly by better quality components. However, the association sees a way of stimulating sales.

"Italy has a combination of high average car age and infrequent inspection. We want regulations for vehicle testing to be brought into line with European standards in terms of frequency, complexity and severity," says ANFIA.

Higher quality requirements, whether for the after market or original equipment, will make increasing demands for investment in products and processes. Concentration in the Italian industry will help the sector to find the resources it needs as auto component technology pushes out to new frontiers.

The components industry has already shown considerable business spirit and creativity in satisfying the growing demands of the market, comments the association – "experience across the board over recent years demonstrates that the sector possesses considerable innovative capacity. This characteristic is becoming increasingly important as competition grows on quality and price."

Trade figures show, however, that Italy is keeping square in the export-import struggle. Last year, sales of Italian-made components abroad exceeded imports by L1872bn.

In the first year of the decade the surplus was L618bn. During the past ten years imports have risen 2.3 times, but exports have stayed just ahead, increasing by a factor of 2.4.

David Lane in Rome

Manufacturing profile: Magneti Marelli of Italy

Committed to innovation

TURN ON the engine, switch on the lights or check the instruments of any European car - and almost certainly some component has been made by Italy's Magneti Marelli group.

"All European makers use at least one Magneti Marelli component," says Alessandro Barberis, the company's managing director.

With 25 per cent of Europe's total original equipment market (OEM), the Milan-based company ranks second only to Bosch.

Though Magneti Marelli benefits from corporate ties with Europe's top automobile maker, other customers are together twice as important as its Fiat parent.

As the largest single customer, the Turin company accounts for about one third of total sales. The rest is divided mainly between Volkswagen, Ford, Opel, Renault, Citroen and other European makers.

"Magneti Marelli is also a supplier to Japanese makers like Nissan and Toyota," notes Mr Barberis.

While strong overall, there are some sectors in which companies of the Magneti Marelli group have won particularly high market shares. With Weber and Solex carburetors and injectors, for example, the group holds 47 per cent of Europe's OEM market and leadership for fuel systems.

Instrumentation is another area in which Magneti Marelli ranks as Europe's number one. Jaeger, Veglia Borletti and other lesser-known subsidiaries have 43 per cent of the market.

The group, which is now a leader in automotive components, began modestly at the start of the century when Ercole Marelli established a workshop in Milan's Sesto San Giovanni district.

From manufacturing laboratory equipment and electrical machines, Marelli directed his inventive ability towards starter motors and supplied parts to aircraft manufacturers during the First World War. Diversification then took the company into the automotive sector and the manufacture of magnetos.

This step, which freed the Italian industry from dependence on German technological monopoly, was soon followed by an event that was central to the company's development.

In1919, Ercole Marelli and Fiat together established a joint venture, Fabbrica Italiana Magneti Marelli, to make magnetos for cars, trucks, motorcycles and aircraft. Magneti Marelli was launched and Fiat had embarked on a process of vertical integration.

Further diversification during the 1920s and 1930s took Magneti Marelli into distributors, servo-brakes, spark plugs, batteries, dynamos, coils, starter motors and even radios.

A Florence plant was established to make electronic valves during the Second World War, switching to consumer goods such as TV sets and hi-fi equipment in the post-war period. However, the economic crisis and Japanese competition forced the company to withdraw from this sector in the mid-1970s. Since then, it has concentrated on its original core business of automotive components.

Following strategic lines laid down in 1986 by Fiat, which had bought out the Marelli family at the end of the 1960s, Magneti Marelli underwent a major re-organisation two years ago. The main results were its transformation into an industrial holding and the establishment of six autonomous component groups (instrumentation, fuel systems, electromechanical, electronic, lighting and conditioning). Each group is responsible for design, research, OEM sales, production and quality control.

This re-organisation was accompanied by several major acquisition operations. With its 65 per cent stake in Ufima, a venture involving France's Matra, Magneti Marelli entered the fuel systems field. Through its acquisition of Siem and an agreement with the Fausto Carello Group, in which Magneti Marelli assumed control from the beginning of last year, the company established a lighting sector of European dimensions.

Re-organisation was a busy period of for Magneti Marelli's management. They completed the acquisition of Borletti Climatizzazione to enter the heating and air conditioning sector, and acquired Britain's Lucas Starter and Alternator Division to strengthen this area. In addition, several mergers of Group subsidiaries were undertaken to create a more rational corporate structure.

The group now employs nearly 31,000 people at 50 factories and research centres, and expects to reach total sales of L3660bn this year. The principal component group is instrumentation which employs nearly 10,000 at factories in six different countries and whose 1989 turnover is expected to be L1250bn.

The two other main component groups are fuel systems (forecast turnover of L790bn and 8,200 employees at factories in six countries) and electromechanical (L860bn budgeted turnover and 6,500 employees at factories in Italy and Britain).

Last year's turnover was L3400bn, an increase of 28.7 per cent on 1987. But profits performance was less brilliant, net profits increasing by just 4.4 per cent to L71bn. Part of the reason for duller profits growth was a sharp rise in depreciation charges, up by 37.8 per cent to L171bn and an increase of 20.5 per cent in research expenditure to L147bn.

Management considers capital investment fundamental for keeping the Group with the other leaders in the sector and about 8.5 per cent of turnover is being invested in plant this year.

Reducing production costs and improving quality are seen as fundamental in tackling increasingly tough competition from European components makers – "but in the future we could be facing North American and Japanese producers," notes Mr Barberis.

Research and development's equally important role explains why it is absorbing about 5 per cent of turnover – "Magneti Marelli can – and must – match the competition with a commitment to innovation," affirms Mr Barberis.

Here, the tie with Fiat and its Ferrari subsidiary is useful.

"Magneti Marelli forms part of Ferrari's Formula One technical team and these activities are considered a training ground for staff and a testbed for systems and components," says Mr Barberis.

David Lane

Lucas

☐ Continued from page 5:

systems is the division which Lucas expects to break the near-monopoly in engine management systems held by Robert Bosch of West Germany.

■ Electrical products is the division producing mainly traditional motor components like batteries and distributors.

■ The body systems division, concentrates on the passenger cabin and such items as cables, harnesses and instrumentation.

■ An aftermarket division incorporates the service activities of all the other divisions with the former Lucas World Service operations.

In the first full year of operation, Lucas Automotive chalked up sales of £1.213bn and an operating profit of £106m. In the first half of the current financial year, the division recorded sales up 8 per cent at £634m and an operating profit up by 34 per cent at £51.2m.

Bob Dale has set the division financial targets including a 25 per cent average return on capital employed over the business cycle (it is about 20 per cent today) and a 10 per cent return on sales, (8 per cent at the moment).

He points out that the figures were not simply plucked out of the air. Ticking off the elements on his fingers, he says: "You need a 25 per cent return on capital to take account of the inflation rate, which is about 8 per cent in the UK; for tax, say 7 per cent; for a dividend, say 6 per cent; and for growth, say 5 per cent."

Mr Dale believes Lucas Automotive is well-placed with technology and a flexible approach to take advantage of most of the important trends in the automotive industry, including the move towards vehicle sub-systems in which various components are brought together in one convenient package.

The car braking division, for example, is offering for the first time a package which includes a booster, master cylinder and a choice of either electronic or an electro-mechanical ABS (anti-skid braking).

The diesel systems division is also heavily-dependent on Europe and has its base in the UK. It can supply complete systems, including the software. The recently-developed EUI (electronic unit injectors) incorporate both a pump and injector in a single product, electronically controlled.

Electronic controls are also a feature of the EPIC (electronic programmed injection controlled) rotary pump which, Lucas claims, cuts dramatically particulate emissions from diesel engines.

The car engine management systems division is based in Birmingham. It will need alliances, like the one it has with Hitachi in the UK for a Nissan contract, if it is to penetrate European markets in face of Bosch's near-monopoly.

Lucas Automotive is investing heavily in the future with £100m a year being spent on capital equipment, £65m on research and development plus £20m on training – which adds up to 15 per cent of sales.

The division has its own in-house electronics operations, tailored specifically for automotive applications, ready to take advantage of one of the areas of huge growth: the electronics used in cars in Europe.

Already, this has grown from $200 a vehicle in 1985 to about $600 and Lucas is predicting it will go to $1,000 a car by 1995.

Of this, $1,000 it is estimated that about $300 a vehicle will be allocated to the powertrain (engine-gearbox) electronics, another $300 will go in chassis, braking, suspension and steering elements, leaving $400 to go into body systems, climate-control and so on.

Kenneth Gooding

High technology has helped rationalise the tyre industry

Moulding a global market

THE PNEUMATIC tyre has come a long way since its Scots inventor, Mr Robert William Thomson, first defined his device "for the purpose of lessening the power required to draw the carriages, rendering their motion easier and diminishing the noise they make when in motion."

That was in 1845. Today, the tyre forms the basis of a global industry with a turnover estimated at some $45bn, the vast majority of which is dedicated to car and truck producers.

It is an industry which, particularly in the past two decades, has been drawn increasingly into high technology, involving both the product and its means of production. Whereas once the vehicle makers produced their car or truck, and were largely content to choose a tyre supplier on the basis of the best financial deal that could be struck, the leading tyre makers now work extremely closely with the vehicle producers from the early design stages of a car or light commercial vehicle.

That they do so is a function of several factors. Computer aided design has inceasingly allowed vehicle makers to come up with much more sophisticated suspension systems to improve ride and handling characteristics. With each improvement the expectations of drivers have risen.

Since the advent of the low profile, high performance radial tyre of the early 1970s, it has been recognised that by altering a tyre's width, profile, aspect ratio and casing and tread materials, huge variations in performance and other characteristics are possible.

A luxury car maker, for example, will have maximum noise suppression as a high priority while retaining the best *handling characteristics* possible.

The maker of a 200mph "supercar" will require very different characteristics: an immensely strong casing to withstand the high rotational speeds involved, a short, stiff sidewall to maximise directional stability, a huge "footprint" for the best road-holding and handling, and will give a lower priority to factors like noise and even wear rates.

Another set of priorities will come to the fore in producing economy hatchbacks and where low rolling resistance to improve fuel consumption will be important.

These technological requirements have produced a rationalisation among tyres makers. Those lacking the skills, or financial resources, to invest in adequate research and development find themselves confined to less valuable, low-margin "commodity" tyre business, or even squeezed out of the sector altogether.

More important factors have been at work in bringing about a concentration of the global tyre industry to the extent that some 85 per cent of world output is in the hands of just six leading producers. That compares with 13 companies sharing 80 per cent only five years ago and dozens of companies serving local markets for much of the post-war period.

First came the radial tyre to supplant the traditional cross-ply. Grateful customers were delighted with tyres offering double the mileage of what had gone before. As the radial revolution spread, tyre makers contemplated the excess capacity they had so virtuously created and the commercial holes they had shot in their feet.

European tyre makers were contemplating over-capacity of at least 25 per cent by the time *the second oil crisis* sent vehicle markets plunging again and in spite of a string of rationalisations in the 1970s.

Eliminating the over-capacity cost tens of thousands of jobs, large plant closures and the disappearance of many of the small producers, usually into the hands of surviving majors.

The spectacular recovery in world vehicle markets of the past three to four years has transformed the financial situation of most of the western survivors. The majority are making healthy profits and once again adding capacity. The profits are needed because a new and vicious twist in the competitive spiral is getting under way.

In part it takes the form of an open declaration from Bridgestone, Japan's largest tyre maker, that it intends to wrest world leadership of the industry from western producers.

Goodyear Tire and Rubber of the US and Groupe Michelin of France are both claimants to the title. Goodyear has a larger turnover than Michelin, well in excess of $10bn compared with Michelin's $8bn. But about $2bn of Goodyear's turnover comes from non-tyre activities.

Bridgestone, whose tyre technology was lagging far behind that of its western counterparts as recently as the start of the 1980s, shook the industry last year when it outbid Gruppo Pirelli, the Italian tyres and cables concern, for Firestone Tire and Rubber of the US, for which Bridgestone paid $2.6bn.

Goodyear's tyre plant at Wolverhampton

The deal gave Bridgestone an immediate combined turnover of a $6.5bn, shooting it to third in the world rankings, ahead of Continental of West Germany (which had just purchased General Tire, another US producer). Bridgestone is *well advanced* with a $1.5bn investment programme for significant capacity expansions in North America and Europe.

However, Bridgestone's own capacity expansions represent only about one-fifth of the industry's current total, and there is a lurking background worry that world vehicle markets might have come off the boil – there are tentative signs of a slowdown in western Europe - by the time it all comes on stream.

This could once again put pressure on margins, which in the west have been rebuilt with much help from a widespread market shift to premium, high performance tyres.

This sector, pioneered by Pirelli in the early 1970s, has produced that novel situation for the tyre industry – a product where sales success depends more on the tyre's perceived performance and technical merits rather than on its price.

Even if the total market does decline, most leading tyre makers are in better underlying shape to deal with it than for many years.

The industry world-wide still employs more than ½m people, but they are survivors of a massive job-shedding which has gone hand-in-hand with much tighter managerial disciplines and heavy investments in automated, flexible manu*facturing*.

If a market downturn does come, most expect it to show up as a brief blip against a background of long-term growth right through to the end of the century.

Mr Robert Mercer, Goodyear's chairman, sees compound annual growth of about 3 per cent up to the mid-1990s. Mr Ludovico Grandi, Pirelli's general manager of tyre operations world-wide, forecasts a more conservative one per cent but "for the forseeable future."

Messrs Mercer and Grandi say that anyone wishing to remain a leading player in the tyre industry must develop a fully global presence just as the vehicle industry itself is globalising.

Neither of them expects the few dozen small companies still clinging to national market bases to survive for long without specialising in small *niches to which the large companies* have little inclination to pay much time or attention.

It is vital for the majors to be able to offset continuing, volatile currency shifts by flexible sourcing at plants around the world, stresses Mr Mercer.

Western producers meanwhile acknowledge the growing threat from Japan, but insist that they retain a technological lead over their Japanese rivals – a lead they intend to keep.

John Griffiths

Ford in Europe narrows supplier-base and demands increasing quality in components, says **Kenneth Gooding**

FORD in Europe offers a very big cake for component suppliers to share. In 1987, Ford spent the equivalent of $3.7bn in West Germany, $1.6bn in the UK, $700m in Spain, $500m in France and $600m elsewhere in Europe for materials and components.

The group says that 64 per cent of its revenue that year went to suppliers, compared with 20 per cent to its own employees, 5 per cent in taxes, 5 per cent in depreciation to leave net income of 6 per cent.

Not only is the Ford cake a big one, but the number of suppliers jockeying to share a slice is getting smaller. Since 1964, Ford has cut its supplier base from 1,620 to 1,230.

Long gone are the days when Ford automatically would source each component from at least two suppliers, not only for security of supply, but also to pit one against the other when prices were being discussed.

Since the start of the 1980s, analysts were warning the components industry that vehicle makers would be offering bigger contracts to fewer suppliers.

Ford is not alone in this. For example, Renault has cut back from 1,820 to 1,420 suppliers while Peugeot is down from 2,450 to 1,520.

The demands being put on suppliers are greater than ever *before. In Ford's case*, they date back to the late 1970s when senior management first visited the assembly plants of Mazda, the group's Japanese associate.

The Ford managers were shocked at what they saw because Japanese productivity and quality seemed to be so far ahead of what car makers were achieving in the US and Western Europe.

Ford made many changes at its own facilities. The group also tackled its suppliers, encouraging them to improve quality standards and to adopt the statistical process control techniques Ford imported from Japan.

To encourage the change in supplier attitudes, Ford introduced its 'Q1' quality awards scheme which started in North America in 1981.

The scheme applies to Ford's own plants as well as to those of its outside suppliers. All suppliers are elligible to win the Q1 award if they achieve a standard based on a quality rating system.

Robots, above, welding Ford vehicles. Ford has created a $77m global communications network of computers to unite its 20,000 engineers and designers in Europe, North and South America, Australia and East Asia. The company is demanding increasingly higher quality products from its component suppliers.

Bigger contracts now offered to fewer suppliers

A team of supplier quality engineers from Ford audits each supplier on a regular basis. The scheme is designed so that suppliers of different components or materials can be compared with each other realistically.

Ford says that of the 2,000 factories of its 1,230 European suppliers, 94 are now Q1 rated. Last year 30 suppliers were added to the Ford of Europe list and they gave an insight into the multi-national sourcing of the organisation – 13 were from Britain, 9 from West Germany, three from Spain, two from France, two from Japan and one from Italy.

As a result, they are given preference in future Ford *sourcing decisions and stand* to win longer term contracts with close involvement in the Ford product development planning process.

Mr Alex Trotman, who then was chairman of Ford of Europe, summed up by saying: "Ford places a great reliance on its suppliers to help us in our never-ending improvement in quality. Ford now spends more than £6bn a year with European suppliers.

"Since they provide about *60 per cent of the parts that* go into the vehicles we build, we cannot be fully competitive without their total commitment. They are our partners and we are steadily building closer ties with them."

But building closer ties with a global entity like Ford, particularly for suppliers who wish to be involved at the very earliest stage of a project, is not easy.

Take the example of Ford's *CDW27 project*, a car which will replace both the European Sierra and the North American Tempo/Topaz models from 1992.

This project represents Ford's first attempt at a radical new form of world car engineering. Ford regions have previously operated autonomously. The company tried in the late 1970s, with the last Escort, to engineer a world car – but, in fact, the European and North American versions ended up different in nearly every respect.

For the CDW27, however, one region – in this case, Europe – has been given the responsibility for leading the design and engineering of a new car to suit both the European and North American markets. The cars could still have superficial differences in appearance and tuning to suit market preferences, but the basic engineering job will be done only once.

To support this revolution, Ford has created a $77m global communications network of computers to unite its 20,000 engineers and designers in Europe, north and south America, Australia and East Asia.

It is obvious that those suppliers which become involved at a very early stage in a project such as the CDW27 almost certainly will either have a similar global presence as Ford itself, or be able to offer some technology not available from any other source.

Electronic components

A search for intelligence

THE CONCEPT of the intelligent car, with its principal operating systems all centrally controlled by computer, is now well-established – even if vehicles fully justifying the term are unlikely to be coming off production lines until the end of the century.

Ford has drawn up a succinct definition for intelligent in this application, as the car's computer having control over "the whole driving process, from the pistons to the wheels."

It embraces electronics-based systems already being built into current production cars, such as engine management and anti-skid brakes, as well as many yet to come.

Among the latter can be included active control of suspension, steering and other elements of the car's dynamic behaviour; collision-avoidance and even route guidance, involving communications between the car and a network of information beacons.

The opportunities for manufacturers of electronic components in this accelerating progress towards intelligence are self-evident and have already been seized on with alacrity by leading first-tier suppliers such as Nippondenso in Japan, Motorola of the US and Bosch of West Germany.

Much the biggest demand for electronics is coming from North American and Japanese manufacturers, with the west European industry trailing well behind, at least in terms of the overall value of the electronic components it is using.

The West European scene is rather more complex than it appears, however, with specialised executive and luxury car makers like Daimler-Benz and BMW still very much among world leaders in the extent and sophistication of electronics applications.

Market research group Frost & Sullivan, in a report to be published shortly, forecasts that the west European original equipment market for automotive electronic components – excluding in-car entertainment equipment – will have virtually doubled to \$2.53bn by 1993 compared with \$1.35bn last year. Even this sharp financial growth will understate the volume penetration of many components, it points out, for the reason that unit prices of many of the less complex components are due to fall sharply as greater scale economies are achieved and production equipment amortised.

The market for some of these components, such as voltage regulators and flasher and wiper modules, is in any case almost mature.

According to Frost & Sullivan's the fact that some much-ballyhooed electronic innovations – among them voice computers and light-emitting diode dashboard displays – are meeting with indifference or even hostility among consumers, will serve only to underline dramatic progress in other areas.

In the latter category, it groups the spread of electronic anti-locking braking into small, relatively cheap cars; air safety bag and safety belt tensioning devices triggered by crash sensors; anti-theft devices, transmission and in-car climate controls.

The fastest growth, however, looks likely to come after 1993, following the expected widespread adoption by vehicle makers of multiplexing to replace conventional wiring harnesses.

Multiplex could be described as an electronic ring main, needing only two fibre-optic wires to exchange instructions and information between the car's central computer and the car's operating systems, whether they be simply turn indicators or a complete active suspension system.

Thus, introduction of multiplex will allow substantial space and weight saving, and greatly increase the potential number of electronic systems that can be brought under integrated control. One of its first applications is expected to come next year, when Mazda will lead the Japanese industry by introducing it on one of its mainstream car ranges.

To give some idea of its potential, Mazda says even a simple form of its own system can transmit and receive signal volumes equivalent to the capacity of 6,000 ordinary car wiring looms.

With its ability to detect its own transmission errors, rectify and retransmit signals, multiplexing will greatly ease the introduction of the very complex and highly safety-sensitive electronic systems expected to appear from the mid-1990s onwards, such as fully active suspension and steering.

The need for reliability in such systems is considerable. Active steering, for example, holds out the prospect of very considerable benefits to the driver by mediating panic-stricken, excess turning of the steering wheel, in the case of a skid, into just-sufficient movement for the car to be brought back under control.

But, while it is to be expected that fail-safe measures will be built in, the system works on the basis that the steering wheel is transmitting only digital information to an electronic controller, not physically turning the wheels itself.

The size of the market for electronic components, and the fact that so much of the added value in a vehicle is accruing to them, has been partly responsible for moves by some vehicle producers to obtain the resources for some of them to be developed and supplied from in-house.

Thus, while the main motivation of Daimler-Benz in acquiring AEG (electronics), Dornier (aerospace) and MTU (aerospace engines) in the past few years has been to broaden its overall industrial base, it expects, too, that its car and truck production will be beneficiaries of the electronics expertise that all three acquisitions contain.

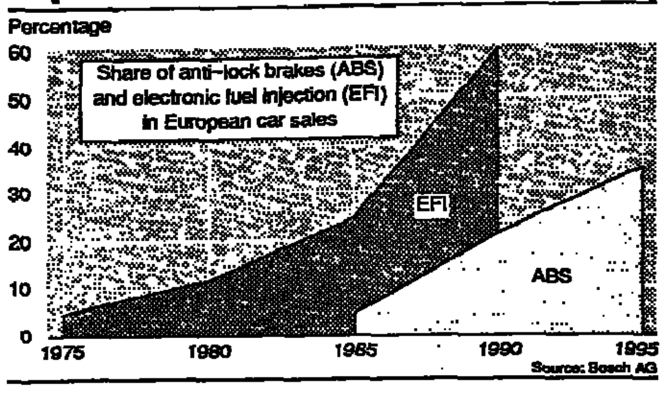
Even so, independent companies such as Bosch, Valeo of Franch, Magneti Marelli of Italy and Lucas of the UK stress their belief that so long as they are prepared to make heavy, continuing investments of their own in the research and development of electronic components, business from the vehicle producers will continue to grow.

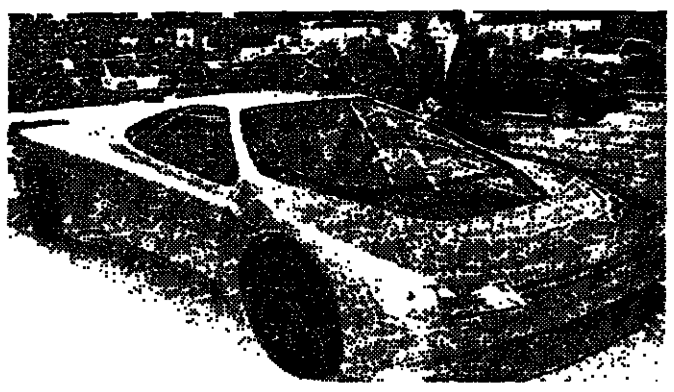
The principal trend, they suggest, will be for the vehicle companies to concentrate increasingly on assembly.

This will mean striking up more long-term relationships with their main suppliers, to whom most of the burden of designing and developing components will be transferred, and whose reward will be much longer-term, more valuable supply contracts than has been the case in the past.

John Griffiths

Impact of electronics





The car of the future will rely heavily on electronics. Above, the Peugeot Oxia on display in Paris.

The diversity of plastic makes it attractive to car manufacturers

Turning away from steel

Many plastic components are much more durable than rust-prone steel, writes John Griffiths

A LANDMARK in the use of plastics in the automotive industry will be achieved later this year when General Motors of the US launches its 0TXe Lumina minivan, code-named GM-200, which will comprise a body made of mainly fibre-reinforced polyester bonded to a metal frame.

Most significantly, it has been designed for production volumes of up to 225,000 units a year – more than double the Fiero, GM's discontinued plastic sports car, and more than quadruple the volume of Renault's Espace, Europe's most famous venture into vehicle plastics technology.

GM's bold step into the plastics arena is the latest of a number of indications that the industry will look increasingly to plastics, rather than sheet steel, for solutions to many of its engineering, design and styling problems.

It is the diversity of the characteristics offered by the many different forms of plastics which make them so attractive to automotive engineers. They can be moulded into highly complex shapes – for example a one-piece front bulkhead incorporating mountings for dashboard, heater system and other assemblies – which using sheet steel would require the pressing and welding together of a number of sheet metal components.

Plastic parts, particularly panels for bodies, are much more durable than rust-prone steels and moulds and other tooling for plastic parts typically cost about one-fifth of their their steel equivalents.

This cheapness of tooling means that manufacturers should be able to produce a greater variety of vehicles and update or replace them more frequently than the five years and upwards all motor manufacturers, except the Japanese, require to bring a new model to market.

This last factor is particularly important because of the way new vehicle markets have begun to fragment into many more niches, of which four-wheel-drive off-road leisure vehicles and Espace-type "people carriers" provide just two examples.

There are significant disadvantages, however, and companies such as the Peugeot group, GM's subsidiary in Europe, Opel, and others have concluded that the takeover of the plastic-bodied car will be a slow one. In the sense of a vehicle in which the entire, load-bearing structure is made of plastics, to which engine, transmission and other mechanical components are attached the takeover may not come at all.

Some of the main disadvantages are that the costs of actually producing many of the key thermosets and thermoplastics required for volume applications remain too high, even when cheaper tooling is taken into account.

Cycle times to produce plastic components in many cases remain too long for high volume production – even though Fiat, at its Cassino plant in southern Italy, has begun to crack the problem in producing injection moulded tailgates for its Tipo model with a cycle time of about half a minute.

Should a significant proportion of the world's car production - estimated by the Economist Intelligence Unit to reach 50m a year by the end of the century - be made up of plastic-bodied vehicles the industry would be confronted by an enormous problem of disposing of, or recycling, enormous quantities of non-biodegradable plastics.

Solutions to this are slowly being arrived at. GE Plastics, a subsidiary of General Electric of the US, is optimistic about the prospects for recycling thermoplastics – which melt into a liquid when heated – several times, and perhaps over several decades, into ever lower grades of plastics which could be used successively for anything from computer housings to drains.

Rival chemicals groups like Dow and Du Pont are not quite so optimistic. They see problems with this approach because the thermoplastics will have become degraded through contact with oils and other contaminants during their lifetime as part of a vehicle.

Thermosets such as SMC (sheet moulded compound), which is being used for the GM minivan's body panels, have the advantage of being stampable into panels similar to steel. But their disadvantage is that they can only be chopped up or burnt after use, as they do not melt.

High temperature gasification, within an environmentally harmless closed furnace system, is seen as a promising answer here, in which the shredded thermoset is used as feedstock to produce clean gases which can, in turn, be used to run electricity-generating turbines. Two pilot projects are being pursued by Voest-Alpine of Austria and Dow's European chemicals subsidiary.

There are other problem areas, such as the need to be able to paint plastics on the assembly line, requiring them to be able to withstand the high temperature of paint ovens designed to coat steel without distortion or losing surface quality.

These problems are being overcome. Mr Uwe Bahnsen, director of education for the Art College of Design in Switzerland and former design chief Ford of Europe, points out that plastics are also permeating the car's "hidden areas" to the extent that engine cylinder head covers, petrol tanks and even suspension springs are being formed from plastic composite on vehicles now in commercial production.

"While all these plans and actions indicate that the evolution [of the plastic vehicle] is gaining momentum, there appears to be a major opportunity which still receives little attention," he suggests.

According to Mr Bahnsen, the opportunity lies in the manner in which cars are constructed. Even the structural metal frames on which vehicles such as the GM minivan are being built are likely to prove too restrictive in terms of the variety of models which might be built on a single frame design.

"To achieve the flexibility that I believe will become a requirement, if consumer demands are to be properly served, the good old chassis concept – obviously adapted to modern technological requirements – might offer a potential solution," he says.

This would allow a wide variety of plastic bodies to be attached to the basic chassis, ranging from executive to sports cars. Eventually the chassis itself could be of engineering plastics, an approach which would eliminate the need for corrosion protection.

A moulded chassis could also be designed to provide a protected environment for sophisticated electronic systems and could include a moulded-in petrol tank and other fittings.

According to senior executives at Dow, the one-piece moulding of even such a complex component is technically proven – single components of more than 70 kilogrammes in weight having already been successfully moulded. Mr Bahnsen himself has gone so far as to suggest that the West's motor industry may have no choice but to adopt such plastic-based technology.

Addressing a group of senior engineers from all the western European vehicle manufacturers, Mr Bahnsen said the tooling, facilities and other costs associated with bringing new sheet metal-based vehicles into production "will become so high that some manufacturers might find it difficult to remain competitive."

The opportunities developing for the chemical companies, as suppliers of the raw materials for vehicle plastic composites, appear obvious. But they are requiring a new approach by the chemicals groups which involves them in going much further "downstream" into the motor industry than in the past.

Mr Stuart Wilson, director of automotive products department-Europe for Du Pont, points to a reorganisation of Du Pont's structure which has taken place over the past few years aimed at involving the company in the production process of vehicles "at just about every point in the supply chain."

Mr Wilson says Du Pont has begun to work closely with processors, component makers and the vehicle producers themselves in the design, development and production of finished components instead of being merely a raw materials supplier.

ACCOUNTANCY COLUMN

Back to business after the merger storm

By Richard Waters

CHARTERED accountants should breath a sigh of relief. The attempt to merge the Scots with their English and Welsh counterparts is over. The two bodies will now be able to return to some issues of pressing concern to their 100,000 or so members.

Both institutes have been paralysed for at least a year while discussions on the merger have been under way. During this time the profession has done virtually nothing while the challenges stacked up on its doorstep at an alarming rate.

New policies will now be pushed forward with urgency. The Scottish institute, in particular, will have to do much to prove that it has a future as an independent body (contrary to what its own leaders have been saying for the last year).

With the blood barely dry on the walls in Edinburgh the Scottish institute's council will meet this afternoon to look at "Plan B". This is a series of moves put forward by a strategy review group which was set up in great secrecy earlier this year by the institute to put forward ideas about what should be done if merger was rejected.

Nor has the English institute been dragging its heels. It almost looks as though it was not expecting the merger to go through.

Three matters will have to be looked at urgently.

Firstly, the status of the chartered accountancy qualification – long regarded in the UK as the pre-eminent business qualification – is in danger. One of the institutes' most important services to their members is protection of the status of "chartered accountant."

The rise of the MBA is something which leaves the accountants quaking with fear, particularly since MBA-holders have begun to find their way into senior financial as well as general management positions. The British Institute of Management's plans for a "chartered manager" qualification also pose a long-term threat, as does the success of the Chartered Institute of Management Accountants, which has done a good job of promoting itself as the professional body for management accountants.

To combat this, the training of chartered accountants must be turned into the broad business education it is often claimed to be, rather than the largely technical thing it actually is. The Scots, in particular, will have to make a good case for their qualification, or they will see the large accountancy firms begin training all their students with the Institute of Chartered Accountants in England and Wales (ICAEW).

With these fears lurking in the background the Scots will this afternoon consider whether to allow training outside public practice – something which already happens in Ireland. This would mark a fundamental move away from the traditional route into the profession and would have a significant long-term impact.

They will also look at dividing the traditional chartered accounting qualification, creating registered auditors on the one hand and all-round chartered accountants on the other.

In the words of Mr Ian Percy, vice-president of the Scottish institute and the person who chaired the strategy review: "Accountancy firms at the moment have to bring everyone into the audit stream, which is a nonsense."

Non-auditors would be given more general business training, making them more attractive to commercial employers.

Such a radical proposal raises intriguing questions, not the least of which is: who would opt to train as an auditor if you could become a chartered accountant another way? Whatever happens, training is due for a radical shake-up.

The ICAEW will have to respond to moves like these. That can only be good for all accountants. As Mr Percy says: "With two systems competing, the quality will improve at a faster rate. Competition is a good thing."

The second challenge for the chartered bodies is to make themselves more market-driven. Many members, particularly those in industry and commerce, do not think their professional bodies represent their interests any longer.

The ICAEW is now expected to respond by adopting a strategy that has lain on the shelf for some time. Its Worsley report (named after the president who stepped down this month) set out a possible structure for the institute that involved dividing its activities into a number of "faculties," each one representing a different activity: tax, financial management, auditing, insolvency, financial services, and so on.

Every faculty would represent the interests of people in its field. By setting up a new faculty as and when it was needed, this decentralising approach would enable the profession to follow its members into new areas.

The institute would become an umbrella organisation under which a range of interests could shelter. By making their services available to people outside the institute, the faculties would also be able to compete with other professional bodies – including the Scottish institute.

The Scots council this afternoon will also consider ways of becoming more relevant to members, and is expected to announce a research study into the needs of its members outside public practice.

It will also be working hard to promote members' interests around Europe. As Scottish opponents to the merger have already pointed out, the Institute of Chartered Accountants in Scotland (ICAS) may be small in the UK, but is the fifth largest professional accountancy body in the European Community and as such has an international role to play.

This competition in serving and representing members will be good for chartered accountants. The 90,000-strong ICAEW, which has suffered from its image as a faceless bureaucracy, will need to change its ways if it is to keep up with the far smaller (12,000-member) ICAS. The Scots body has a distinctly "user-friendly" image and has made a better job of staying relevant to its members.

Whether it can afford the range of services to keep up with the ICAEW is another matter. The subscriptions paid by its members are already 50 per cent higher than those paid by English and Welsh chartered accountants (although the £77 a year the ICAEW charges its members may seem a paltry sum to outsiders).

To achieve these advances in training and services for members both institutes will have to run themselves better. This is the third challenge they must face up to, and one which particularly affects the ICAEW.

The proposed Institute of Chartered Accountants of Great Britain would have had a more effective management structure than the ICAEW, with a small and powerful executive committee.

The ICAEW will have to move over to such an arrangement soon. This will involve creating a stronger executive and taking power away from its largely reactionary council, which holds back changes.

The Scots claim to already have a structure which can cope with the demands made on it. Events in the next few months will test whether or not they are right.

And what, finally, of the merger result? It was worse than anyone had expected. The profession's leaders had thought that a small majority of Scots would be in favour of the plan – perhaps allowing a fresh attempt to persuade recalcitrant members.

The 55 per cent vote against merger has firmly ruled that out. It will take a brave man to attempt another merger of Britain's accountants in the next 20 years.

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We are looking for a Financial Director to play a major part in setting up and running one of the new business enterprises based in Harrow N.W. London. The business employs 1200 staff and runs a fleet of 350 buses from four garages, with a turnover of around £35m. The Financial Director will be responsible to the Managing Director for the financial control and management of the company, providing financial advice on commercial options and developing information systems. The successful applicant would play an active part in the top management team.

Applicants should be qualified accountants, with business flair, well developed management skills and a track record of achievement in a commercial environment. Probably aged 30-38 they should be ambitious, flexible and committed to the introduction of successful change.

Please apply in the first instance to FOX VALENTINE LTD, 25 BEDFORD ROW, LONDON WC1R 4HE (01 242 1916) - quoting reference A.T.M/23

FOX VALENTINE LTD
Recruitment Consultants

BRISTOL
CITY COUNCIL

An unbeatable opportunity in an exceptional location

CITY TREASURER

Up to £37,500 (plus benefits)

Bristol undoubtedly ranks among the great cities of Europe. Its fine historic buildings, graceful parklands and splendid waterways combine with a dynamic cultural scene to offer an enviably high quality of life.

But Bristol, the undisputed capital of the South West, has big-city problems too. Like other major centres of population it faces a housing crisis of daunting proportions, there is vital work to be done in regenerating the inner city and the outer estates, and by no means everyone has benefitted from the economic boom that has made Bristol a leading centre for financial and service industries.

The City Council – the largest non-metropolitan authority in the country – is pursuing imaginative solutions to these and other problems. Its success is sometimes achieved against the odds, as government financial controls continue to bite and the pace of change accelerates.

The City Treasurer plays a crucial role in helping the Council to surmount the obstacles and achieve its goals – both by providing expert financial and economic advice and by contributing to the authority's corporate management.

The scale of the challenge is considerable – the Council's gross annual expenditure exceeds £300 million; it manages 38,000 tenanted properties; it runs the largest municipally-owned docks undertaking in the country, with an annual turnover of £25 million; it has to implement the Community Charge and deal with compulsory competitive tendering.

Clearly we need a seasoned professional of the highest calibre – a fully qualified accountant capable of managing a department of over 300 staff, generating new ideas and making them work for the good of the City's 400,000 people.

If you have the necessary qualities and want to help make a great city greater, get further details and an application form now by telephoning Bristol (0272) 222710 or writing to the Recruitment and Administration Officer, The Council House, College Green, Bristol BS1 5TR, quoting job reference No. CT001/FT.

Applications must be returned by 29th June 1989.

AN EQUAL OPPORTUNITY EMPLOYER

ACCOUNTANT

Cardiff

c.£20,000 + Benefits

The UKHT Group is preparing to launch its Welsh Region as an Independent Housing Association. The new Association, based in Cardiff, will be one of the largest in the area, owning over 1,700 properties.

We intend to continue to provide good quality housing in South Wales and require a qualified and experienced Accountant (Chartered or Certified) to play a major role in our future development.

You will be expected to take control of all the financial affairs of the new organisation, from the procurement and analysis of private funding packages to the establishment of new computer systems.

Although previous experience of Housing Association finance would be useful, it is extremely important that you have initiative, tenacity and excellent communication skills.

For an informal, confidential discussion, telephone Margaret Liebmann on 0222 492815.

For further information and an application form contact Margaret Davies, UKHT (Wales), 38 The Parade, Cardiff CF2 3AD. Tel: 0222-492815.

Closing date for applications: 23rd June 1989.

UKHT (Wales) is a equal opportunities employer and positively welcomes all applications regardless of race, sex, age, sexuality, disability or marital status.

UKHT

Divisional Finance Director

Birmingham *£30–£35,000 + benefits*

This highly successful company specialises in the provision of building services within the construction industry. Activities include the design, installation and commissioning of environmental, mechanical and electrical services for major developments and refurbishments. The company is structured into autonomous divisions with devolved management responsibility, and has shown a very strong growth record in recent years.

As Finance Director for the Northern Division, you will support the Divisional Managing Director and Board with the financial information required for the management of long-term multi-million pound contracts. You will be responsible for the operation of all accounting systems in this £80 million turnover division.

Candidates must be Qualified Accountants with significant management experience at a senior level. You must have knowledge of project-related financial control techniques coupled with good analytical ability and inter-personal skills.

Candidates should apply, in strict confidence, to Stephen Bailey, quoting reference 6011/FT, on both envelope and letter giving full details of education and qualifications, salary and career progression.

Deloitte Haskins+Sells
Management Consultancy Division
36 Newhall Street, Birmingham B3 3DX

FINANCIAL MANAGEMENT RECRUITMENT CONSULTANTS

Finance Partner Designate

Sussex

ACAs, ACMAs, ACCAs 28+ **to £35,000 + car**

Our client is a fast-growing "top twenty" firm of chartered accountants seeking to recruit a Financial Controller/Finance Partner Designate to be based in the firm's new National Accounting Centre in Sussex.

Reporting to the Finance Partner, the role will comprise the production of budgets, cash flow forecasts and all other key financial information for the practice nationally. He/she will oversee the firm's accounting systems and be responsible for their regular review and enhancement. The role will also include control of computerised time recording, work in progress, credit control, compliance matters and treasury functions.

Candidates (male or female) should have an appropriate background from commerce/industry or the professions (ideally from a "people business") plus computer spreadsheet expertise and systems development experience.

For more information, please contact **George Ormrod BA (Oxon)** on **01-836 9501** or write with a copy of your CV to **Douglas Llambias Associates Limited at 410 Strand, London WC2R 0NS, quoting reference No. 3169.**

DOUGLAS LLAMBIAS

BIRMINGHAM 021-233 4431 · DUBLIN 808620 · EDINBURGH 031-225 7744 · GLASGOW 041-226 3101 · LONDON 01-836 9501 · MANCHESTER 061-236 1553

CHIEF ACCOUNTANT

Central London **c£35,000 + car**

This rapidly expanding business is a high profile division of one of Britain's largest public groups. It markets a range of technologically advanced telecommunications products, particularly for the business user and its current turnover, which is approaching £500M, is projected to double within three years. Because of its increasingly international focus and a strong emphasis on an innovative product range, it is very much a leader in each of its markets.

In order to keep pace with this growth our client now wishes to appoint a Chief Accountant who will head up a department of some 40 accounting staff. The successful candidate will report to the Finance Director and will take full responsibility for developing the financial systems and enhancing the controls to meet group standards and the rapidly changing commercial needs of the business. In addition to the production of financial reports within tight time constraints, the role will entail a high level of commercial involvement and close working relationships with senior management and divisional profit centres.

Candidates should be qualified accountants who can demonstrate a successful track record in a large company environment. They should combine a high level of self confidence and maturity with well developed technical abilities, a familiarity with computerised systems, and above all, strong people management skills.

This is a "shirt-sleeves" role which will appeal to individuals who have a flexible approach and like to lead by example. It carries with it an attractive base salary, performance related bonus, car and other large company benefits. In addition it offers scope for genuine career progression within the group.

Please reply in confidence, giving concise career, personal and salary details to Paul Carvosso, quoting Ref: L424.

Egor Executive Selection
58 St. James's Street
London SW1A 1LD (01-629 8070)

EGOR EXECUTIVE SELECTION

United Kingdom · Belgium · Denmark · France · Germany · Italy · Netherlands · Portugal · Spain

Financial Controller

Milton Keynes **To £30,000 plus car**

Our client, the UK subsidiary of Biersdorf AG, a major international Group based in Hamburg, is amongst the leaders in their field. They have an enviable reputation for the range and quality of their products and for their emphasis on service. Their fast growing UK operation markets and distributes a range of *adhesive tapes and medical products* to *industrial* users, *to the retail sector* and to major health authorities and suppliers. A £3m extension to their office/warehouse complex has just been completed.

Increased emphasis on management control and profit centre responsibility has led to the creation of a new post of Financial Controller. In addition to operating a well established accounting and *reporting system he or she will:*

- prepare plans, forecasts and budgets
- enhance the quality and scope of the financial information provided to management.

The successful candidate, probably in the age range 28–35, will have a recognised accountancy qualification and at least 3 years post-qualifying experience in industry. Operational responsibility *for management reporting in a medium sized business* preferably in a marketing/distribution environment is preferred. This is the senior financial management position in the company and commercial awareness is an important attribute as are maturity, confidence and good *communication* skills.

Write in confidence to John Gregory at John Courtis and Partners, Selection Consultants, 855 Silbury Boulevard, Central Milton Keynes, MK9 3ND, demonstrating your *relevance clearly and quoting S193/FT.*

John Courtis & Partners
Search and Selection

GROUP MANAGEMENT ACCOUNTANT

Up to £30,000+Car+Benefits **Midlands**

Our Client is a developing company *within a major well-known Group* operating in the manufacturing sector. As part of a continued and planned expansion programme, the position of Group Management Accountant has been created. Reporting directly to the Finance Director, the main purpose of this role will be developing and controlling the flow of commercial and financial information to management, in addition to assisting in the improvement of performance and further development of the business.

Applicants should be members of the Institute of Cost and Management Accountants, and have a minimum of five years post qualification commercial experience, ideally within the manufacturing industry.

Strong inter-personal skills are paramount as the role will involve interaction with all levels of management and staff. Knowledge of IT with especial reference to the development and application of management accounting systems is essential.

Career prospects are excellent and an attractive remuneration package is offered.

If you feel you have the appropriate skills and experience, please apply in writing, with full career details and salary history, quoting reference B/200/89 to Margaret-Anne Stocker.

KPMG Peat Marwick McLintock
Executive Selection
Peat House, 2 Cornwall Street, Birmingham B3 2DL

ABB
ASEA BROWN BOVERI

Financial Controller

c£27,000 + car
Luton

ABB Robotics Ltd, part of the world renowned Asea Brown Boveri group of companies, supplies complex automated manufacturing and robotic systems to its many European customers from two UK operating units in Luton and Milton Keynes.

An opportunity has arisen for a *qualified accountant to become an integral part of the senior management team at Luton;* primary responsibilities will include the maintenance and development of financial controls and management reporting procedures, to ensure the company remains financially competitive.

Reporting to the Managing Director, this hands-on role demands a confident, skilfully persuasive and astute controller, probably in their mid 30s, who can relate easily to entrepreneurial management.

Additional requirements are a strong *industrial background in accounting* and substantial experience in project cost control.

Experience of computerised accounting, spreadsheet applications and management reporting are prerequisites.

The rewards package is negotiable and includes a fully expensed car, contributory pension, life assurance and health insurance.

This position offers an excellent opportunity to significantly influence the future growth of the company.

Please send a full CV quoting your salary and reference MCS/5133 to Barrie Whitaker at
Executive Selection Division
Price Waterhouse
Management Consultants
No. 1 London Bridge
London SE1 9QL

Price Waterhouse

A Professional to manage change

INTERNATIONAL ROLE

With Board Potential **To £25,000 + Car**

The company, part of a successful international PLC, manufactures and supplies leading engineering products to the Aerospace and Scientific Industries worldwide. Subsidiaries are in North America, Germany and the United Kingdom and turnover is in excess of £200M.

Reporting to the Finance Director this new position will assist subsidiaries improve the management of Working Capital. The role will identify specific areas where the greatest scope for improvement exists and in conjunction with local management implement the required changes.

Candidates should ideally have experience of cash management and control systems and had exposure to JIT/OPT scheduling methods.

The position requires a person committed to bringing about change who is self-motivated and able to work unsupervised. It is an international role with the majority of time spent outside the U.K.

Successful performance should lead to an appointment to the board of a subsidiary in two years. The package includes the benefits normally associated with a large group plus overseas living expenses. Base location is flexible subject to discussion.

Please forward a comprehensive C.V. or telephone for a Personal History Form to: Kevin Carroll, Bull Thompson & Associates Ltd. (Recruitment Consultants), 8th Floor, Tricorn House, 51-53 Hagley Road, Edgbaston, Birmingham B16 8TP. Tel. No. 021 454 9338.

Bull Thompson

LONDON · BIRMINGHAM · LEEDS · MANCHESTER

A MOVE TO TREASURY MANAGEMENT

City
c. £40,000 package + car

OUR CLIENT is a well-established financial services group and a leader in its specialist market. A new management team is now creating the stimulus for strong organic growth in the core businesses which are in turn being extended by acquisition. The group is a strong cash generator and the treasury function is rapidly becoming a vital part of the total business.

To control the corporate treasury activity we now seek a versatile executive with a sound basic experience in treasury management. The primary *task will* be to enhance the management and profitability of the group's cash resources, both sterling and currencies, and to develop an effective cash forecasting system. The post will also negotiate with the company's bankers to ensure the availability of the most cost-effective facilities.

With continuing growth *it is* envisaged that the treasury function will become a profit centre in its own right. In the interim, however, the Treasurer will also carry responsibility for a project designed to redevelop the company's receivables function and consequent cash flows.

The successful candidate is likely to be a qualified accountant, or possibly a banker, with a strong background in cash management including FX. Ideally this should be combined with debtor management experience. Commercial judgement, excellent *interpersonal skills, computer literacy,* and a high energy level are essential to contribute in this demanding environment. Age indicator: late 20s-early 30s.

Please write with full career details to John Turner, Ref: 3384/JGT/FT, PA Consulting Group, Hyde Park House, 60a Knightsbridge, London SW1X 7LE. Tel: 01-235 6060.

PA Consulting Group

HUMAN RESOURCES

Creating Business Advantage

Executive Recruitment · Human Resource Consultancy · Advertising and Communications

FINANCIAL & MANAGEMENT ACCOUNTING IN FINANCIAL SERVICES

City
c.£30,000 + car

OUR CLIENT is an expanding financial services group and the acknowledged leader in its specialist sector. Committed to growth, both organic and via acquisition, the group now wishes to underpin this growth by strengthening its financial management team in two key areas.

Financial Accountant
Under the leadership of a new Finance Director, the accounting function has already begun to play a more proactive role in corporate management. To participate *fully in this process, we seek a qualified* accountant aged mid-to-late 20s.

Responsibilities will include running the financial accounting unit, the production of monthly management accounts, P&L and balance sheet forecasts, and annual budget planning and preparation. The post will also control all aspects of corporate tax and VAT. In parallel, the Financial Accountant will participate in the development of new management information and control systems in tune with the needs of the underlying business.

Drive, excellent technical and motivational skills and a shrewd commercial awareness will characterise the right person. Previous experience may well have been acquired in the rigorous disciplines of manufacturing or commerce and be supported by a high level of computer literacy. Development prospects at the centre or with a subsidiary are excellent.
Ref: 3382/JGT/FT.

Management Accountant
The primary task here will be to develop and introduce costing techniques in an environment where controls have generally been weak. This will require a sure understanding of product costing and an ability to get to grips quickly with the particular nature of the group's business base. A keen appreciation of what constitutes meaningful management information and the ability to enlist a wide collaboration in the development and implementation of systems will be vital.

This is an excellent opportunity for an ambitious, commercially-minded, qualified accountant to make his or her mark in a crucial area of activity. The post, which will participate fully in the general financial management of the group, offers real autonomy of operation and genuine scope for personal development. Previous experience, including a high degree of computer literacy, could be in manufacturing, commerce or financial services.
Ref: 3383/JGT/FT.

The salaries of around £30,000 are enhanced by excellent benefits including mortgage assistance and a car.

Please write with full career details, quoting the appropriate reference, to John Turner, PA Consulting Group, Hyde Park House, 60a Knightsbridge, London SW1X 7LE. Tel: 01-235 6060.

PA Consulting Group
HUMAN RESOURCES
Creating Business Advantage
Executive Recruitment · Human Resource Consultancy · Advertising and Communications

CHIEF ACCOUNTANT/ FINANCE DIRECTOR DESIGNATE

BIRMINGHAM **TO £35,000 + CAR**

This long established, highly respected and profitable multi-million pound turnover company is privately owned. A market leader in its own consumer product areas it manufactures and/or markets on an international scale.

The pending retirement of the current Finance Director after many years service, has created this most rewarding requirement for an outstanding accountant. The most relevant candidates will be graduate chartered accountants, probably aged between 35 and 45, and with previous experience of managing a comprehensive accounting department in a manufacturing company. Although systems are already computerised there is scope for further development and candidates with an interest in and experience of the implementation of informative cost accounting systems would be particularly appropriate.

The long term career prospects are quite outstanding and the additional benefits enhance the attractive remuneration package. There will also be opportunities for travel to Australia, the United States and many European countries.

Interested candidates should send full career and personal details to John Overton FCA MECI, Managing Director, Bernard Hodes Overton Limited, Monaco House, Bristol Street, Birmingham, B5 7AS, or telephone 021-622 3838 for an application form quoting reference 10177.

BERNARD HODES · OVERTON
MANAGEMENT SELECTION ● EXECUTIVE SEARCH

Young Management Accountant
to excel in a European environment

Basingstoke based **around £20,000**

The combination of being part of a large US multinational and yet having substantial UK autonomy, leaves our client ideally placed to develop a strong Continental Europe customer base. A small, but fast growing design and distribution company, strongly marketing driven, the emphasis is on teamwork, enthusiasm and energy.

To support and work closely with a newly promoted Financial Controller we are looking for a young accountant to produce and, crucially, interpret a wide range of management information as well as provide broad financial advice throughout all aspects of the business in Europe. Accounting skills are taken as read, and whilst a qualification would be advantageous, it is not absolute; what is essential are the personal qualities of drive, flexibility and a sense of humour. The truly European flavour of the operation, and resultant continental travel, means that fluency in French or Italian would be of particular attraction.

Few appointments on offer provide the same type of career development and personal fulfilment. Equally, the salary and benefits package should appeal to the best.

For more information contact **Philip Johnson** on 01-287 7007 or 0279-658682 evenings/weekends. If you prefer, send him a copy of your c.v. quoting reference A2100 to **Codd Johnson Harris, 12 New Burlington Street, London W1X 1FF.**

CJH Codd·Johnson·Harris

Financial Accountant

c £25k + Car & Benefits **City**

We are one of the leading internatonal fund management groups with over £6 billion under management and are seeking to appoint a Financial Accountant. Reporting to the Group Financial Controller, your responsiblities will encompass:

- *Consolidated financial accounts*
- *Tax planning and compliance*
- *Staff Management*
- *Treasury management*

To meet this demanding role, you're a qualified A.C.A. or A.C.C.A., probably aged 25-30. The position requires sound technical ability combined with a critical analytical approach. Experience in Financial Services, where you have had similar responsibilities, or are ready for promotion to this level, would be an advantage.

If you meet our requirements please apply with CV to Lois McLean, Personnel, Gartmore Investment Ltd, Gartmore House, P.O. Box 65, 16-18 Monument St, London EC3R 8QQ. Telephone 01-782 2513.

Gartmore

Financial Controller

Essex **c£35,000 + F/E Car**

Our client a quoted plc, is a group of companies in the financial services sector, primarily insurance broking and underwriting, and experiencing considerable organic and acquisitive growth. The group operates very autonomously with a strong "persuasive discussion" and participative style of management.

One of the subsidiaries has now identified the need for a commercially orientated Financial Controller with strong general management abilities and potential. You will be responsible for all the financial and administrative affairs of the company through a team of up to 30 people.

You will be a qualified accountant in your early to mid thirties seeking your step up to the number one finance position, or alternatively attracted by the wider general management involvement of this position. Previous experience of the industry, whilst obviously useful, is not a significant prerequisite.

If this excellent opportunity appeals to you, please submit your CV including remuneration data and telephone number to **Wayne Thomas, Executive Division, Michael Page Finance, Windsor Bridge House, 1 Brocas Street, Eton, Berks SL4 6BW.**

MP
Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

Director of Finance

CAMBRIDGE, c£35,000 PACKAGE + CAR

Our client is a fast growing *manufacturer of innovative* stationery products selling to major high street retailers. With a turnover of approaching £8 million the company is currently the market leader in its own sector and its growth lies in further product development, acquisitions and worldwide exports.

Your responsibilities will include the control of finance, management information and computer systems, personnel, general administration, *and implementing the strategies for future growth.*

A qualified accountant you will probably be aged in your early or mid 30's. You will have some exposure to big company disciplines and structures and ideally have worked in an export orientated consumer goods business. Acquisition experience will be advantageous.

Write, enclosing a career résumé, which includes an indication of *present salary and daytime* telephone number, to David Owens, Coopers & Lybrand Executive Resourcing Limited, 43 Temple Row, Birmingham B2 5JT, quoting reference D327.

Executive Resourcing
Coopers & Lybrand

A NEW KIND OF CAREER ...

"I want to gain first class experience within an international retail and investment banking arena"

Leading the rapidly changing world of financial services takes a special kind of commercial energy, from a special kind of organisation. The Midland Bank Group today is creating just that kind of energy. Through the resources of this entire group of companies, united in a dedication to financial innovation, we provide a whole spectrum of financial *products and services.*

For young newly and recently qualified Chartered and Certified Accountants we may also be changing the course of the future, as well as providing a number of rare opportunities for qualified Management Accountants to join the financial services sector.

Against an environment that combines progressiveness of management and superior technology is a highly personalised corporate style. In addition, a comprehensive approach to training also comes with an incomparable scope across areas as diverse as:

- *Investment Analysis
- *New Product Development
- *Financial Operations
- *Business Analysis
- *Information Technology
- *International Retail Banking

Such breadth and variety offers much more than simple opportunity for people with all kinds of backgrounds and capabilities. It represents ever widening avenues for career development into a future that encompasses our entire field of influence.

We're seeking academically bright individuals who recognise the full potential of the market for financial products. If you do, you'll probably relate that potential to the quality you are looking to achieve through your own career objectives.

If you would like to know more contact Gerald Whiting or Charles Austin, quoting Ref: A292 at Mervyn Hughes International Limited, Management Recruitment Consultants, 63 Mansell Street, London E1 8AN. Telephone 01-488 4114.

mh

MIDLAND GROUP

... FOR A NEW KIND OF ACCOUNTANT

GROUP ACCOUNTING ROLE

International Banking Group

Central London, E1 Package: c.£30,000 + Mortgage + Car

Our client, National Westminster Bank *PLC*, is one of the largest 20 banks in the world and provides a comprehensive range of financial services *internationally. Group* Financial Control has a vacancy for an accountant to supervise its consolidation and UK reporting section.

This demanding role is essentially concerned with supervising the production of the Group's financial information for inclusion in published and internal documents which have to conform with best current accounting practice. Other *tasks will* involve certain research on technical matters, reporting to the Bank of England, enhancements to the computerised consolidation system, changes to group companies' reporting procedures and other ad hoc exercises.

The successful candidate is likely to be a graduate ACA, about 30, with experience gained in a large international firm and of handling consolidations of international groups. Experience of the financial services sector and US reporting would be an advantage. The person must have outstanding potential for career development in a bank where excellence is well rewarded.

Please write in confidence with full career and salary details, quoting reference N4545/2, to John Hills.

KPMG Peat Marwick McLintock

Executive Selection and Search

70 Fleet Street, London EC4Y 1EU.

PARKFIELD

G R O U P P L C

Divisional Finance Director

Kent — Substantial package

During the past four years, Parkfield has been transformed from a loss-making foundry with sales of £4 million into a highly profitable manufacturing and distribution group with 30 business entities and sales in excess of £400 million.

The Group's Wheels Division manufactures aluminium alloy wheels for the motor industry and currently comprises three separate business units in the UK and Europe, with a combined turnover of c£60 million – plans are advanced for futher expansion into North America.

An exciting opportunity has arisen within this Division for a commercially aware Finance Director to join the Divisional Board. With responsibility for the efficient financial management of all business units; the emphasis will be on the provision of timely and accurate financial information, improving plant efficiency and cost control, cash management, planning and the evaluation of expansion projects in an international volume manufacturing business. This is a strong management role which will require regular visits to each of the operating units, and close involvement in all commercial decisions.

Candidates should be commercially astute qualified accountants with a progressive record of achievement to date gained preferably within an international multi-site manufacturing environment. You must possess strong interpersonal skills together with the maturity and drive to initiate change.

The remuneration package is negotiable and will not prove a limiting factor for the outstanding candidate.

Please write together with a full CV and daytime phone number quoting Ref: 335 to Barry Ollier BA, ACA, Whitehead Rice Ltd, 43 Welbeck Street, London W1M 7PG. Tel: 01-637 8736.

Whitehead Rice

MANAGEMENT SELECTION

CORPORATE FINANCE

UK Merchant Bank

From £27,000 + Banking Benefits

The growing reputation of this internationally-renowned UK merchant bank has led to a need for several qualified ACAs to join its expanding corporate finance department. You will work on a large number of individual transactions and market innovative financing ideas to non-clients. You will have an impeccable academic record and directorship potential.

Mergers and Acquisitions

To £30,000 + Bonus

Aggressive US investment house seeks a recently qualified ACA for its thriving M & A team. A junior associate, you will assist on cross-border transactions, gain early client exposure and perform detailed financial analyses. You must be computer literate and fluent in at least one European language, preferably French, as extensive travel is on *offer.*

Corporate Finance Research

£25-27,000 + Banking Benefits

Excellent first move for two newly qualified ACAs to join the small, highly active research department of this reputable UK merchant bank. You will research a full range of activities, including Stock Exchange listings, acquisitions, divestments and the placing of securities. A transfer to mainstream corporate finance or the *Far East* is likely within a year.

For further details of these and other positions in Corporate Finance, please contact Katharine Seymour on 01-583 0073 (day) or 01-769 0062 (evenings and weekends). 16-18 New Bridge Street, London EC4V 6AU.

FINANCIAL SERVICES

USM Research Analyst

£35,000 + Banking Benefits

This acknowledged leader in the field of USM Research urgently seeks a Senior Analyst. You will be part of a highly successful and motivated team publishing high quality reports and market reviews covering all corporate developments. You must be a qualified ACA with at least two years experience in corporate finance, business development or investigatory work. Age 27-32 preferred.

Treasury Analyst

£30,000 + Banking Benefits

Blue-chip Merchant Bank seeks a qualified ACA who thrives in a stimulating environment, liaising extensively with the trading operations. You will play a leading part in the financial management of the bank's treasury function and provide accounting support to a variety of product areas. We require an ambitious, career-minded *individual to take advantage of this exciting offer. Age 25–30.*

Project Accountant

£28,000 + Banking Benefits

Looking for a challenge? A major consortium bank is offering a unique opportunity for a qualified ACA wishing to progress rapidly to a senior position within this dynamic and progressive environment. Duties will include business analysis, foreign exchange work and development of the bank's financial systems. You must be a self-starter who now seeks a rewarding career in financial services. Age 24-28.

For further details of these and other positions in Financial Services, please contact Marc Eschauzier on 01-583 0073 (day) or 01-350 1738 (evenings and weekends). 16-18 New Bridge Street, London EC4V 6AU.

MANAGEMENT CONSULTANCY

Mergers and Acquisitions

£60,000

We are seeking dynamic and ambitious senior Managers for our client's progressive corporate finance team. Providing a full range of financial services to a broad cross-section of commercial clients, there will be an increasing international flavour to the work as 1992 approaches. Ideal candidates will be qualified ACAs, with substantial banking experience, commitment, drive and enthusiasm.

Treasury Consultancy

To £40,000 + Car

Highly impressive Management Consultancy requires a number of outstanding treasury consultants. Projects undertaken will include implementation of treasury systems, international cash, forex and risk management. Candidates will have a minimum of two years' experience in a treasury function, either gained within a financial *institution or a commercial organisation.* Excellent financial rewards.

Public Sector Consultancy

To £40,000 + Car + Benefits

A market leader in this field, our client is an imaginative group seeking additional high-calibre consultants to strengthen and develop the team. Varied and challenging assignments include work in social security, health, telecommunications and transport, requiring *individuals who are young and ambitious with substantial experience* of project management gained within the public sector.

For further details of these and other positions in Management Consultancy, please contact Louise Barlow on 01-583 0073 (day) or 01-622 6905 (evenings and weekends). 16-18 New Bridge Street, London EC4V 6AU.

BADENOCH & CLARK

recruitment specialists

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c£26,000 p.a

Financial Controller

Oxfordshire

HIGH TECHNOLOGY

A commercially minded chartered accountant, aged 30-55, male or female, with a solid working knowledge of French essential. Must have proven industrial experience in a small/medium sized manufacturing environment. This experience will include knowledge of continental accounting practices, particularly French, exchange risk control and the consolidation of European subsidiaries. Hands-on experience with micro-computer based systems is essential. An excellent career opportunity, with directorship potential in a small but expanding 'high tech' private company *manufacturing and selling its products* throughout Europe. Frequent short stay continental travel will be required. Fringe benefits include share option potential, contributory pension, company car, medical/life cover and relocation expenses.

Suitably qualified candidates please phone 01-600 4708 for an application form quoting GF961 (24 hour service).

GREYFRIARS

A Member of the Guildhouse Group PLC

JOHN W G FORBES MANAGING DIRECTOR
104 NEWGATE STREET, LONDON EC1A 7BA

SEARCH AND SELECTION CONSULTANTS

COMPUTER & OPERATIONAL AUDIT

Systems Appraisal and Critique

to £35,000 + mortgage etc

One of the UK's largest and most influential financial services groups, our client dominates its highly competitive sector with an extensive range of substantial businesses.

The scale, diversity and changing nature of these activities continue to create extensive career opportunities for talented accountants. Initially working in a high profile corporate audit team this investigative role will include a wide range of projects, reviewing and appraising the group's activities, controls and information systems, including ongoing IT requirements.

Providing unrivalled experience, challenge and insight into the group's many interests, this is a well proven stepping stone for rapid progression into group or operating company financial management and systems roles.

Applicants should be qualified accountants with computer audit experience gained in a major professional firm, commerce or public sector. A very competitive remuneration package will be negotiated for this Central London based appointment.

Please write with full career details or telephone David Tod BSc FCA quoting reference D/834/AF

LLOYD MANAGEMENT

LLOYD MANAGEMENT Selection Consultants 125 High Holborn London WC1V 6QA 01-405 3499

Please write with full career details or telephone David Tod BSc FCA quoting reference D/834/AA

FINANCE & COMMERCIAL SERVICES MANAGER

To £25,000+Car East·Midlands

Our Client is a dynamic and progressive firm of Architects and Designers, many of whose retail and commercial clients are household names. Growth has been substantial and there are exciting plans to sustain and continue this.

The Finance and Commercial Services Manager is responsible, with a small team, for the financial management of the firm, for company secretarial duties, personnel management and all other tasks with a financial or commercial slant. As a senior member of the firm, a significant contribution to business strategy and development plans is expected.

Applicants, probably 30-45 years, will be qualified Accountants with sound commercial or business experience and a firm understanding of computerised systems. Good social and communication skills are essential for success as are energy, flexibility and a pro-active approach.

This is a challenging opportunity to contribute directly to the firm's development in a wide ranging role with very considerable freedom to act.

A salary of up to £25,000 per annum is offered plus a company car.

Please write with full career details including current salary and quoting reference L/118/89 to Morag Lloyd.

KPMG Peat Marwick McLintock

Executive Selection

Arlen House, Salisbury Road, Leicester LE1 7QS. Telephone (0533) 471122.

GROUP TREASURER

WEST MIDLANDS

ATTRACTIVE PACKAGE

EVERED HOLDINGS PLC

Evered is a rapidly growing international aggregates and building materials Group. Current turnover is approaching some £200m. Following relocation to the West Midlands we seek a Group Treasurer.

Reporting to the Group Finance Director, the Group Treasurer will manage bank relationships, short term and long term funding as well as prepare cash flow forecasts and monitor cash flow performance. He or she will also develop treasury policies and oversee the capital expenditure programme.

The successful candidate will be a qualified accountant with experience in a multinational treasury environment, who is familiar with capital market and other advanced instruments. *The ability to communicate and deal with a wide variety of* people, from the Board to the City to operating management is vital. The position carries an attractive package and will include relocation assistance where appropriate.

Please write in confidence with career details and existing salary to:
Will Spinney, Evered Holdings plc,
6th Floor Radcliffe House, Blenheim Court, Lode Lane,
Solihull, West Midlands B91 2AA.

The Vital Link...

to £35,000 + car
+ mortgage subsidy
+ bonus

- Project accounting within this ***major international investment bank*** provides the main creative link between the business unit managers and the finance function.
- The team is required to analyse specialised problems, reach innovative conclusions and communicate often complex solutions to the most senior levels of management.
- As a ***qualified accountant***, aged approx. 30 years, you will have experience gained within an international bank or in a specialist financial service group in public practice.
- For full information and to arrange an initial selection interview please contact ***ANDREW MORRIS.*** The strictest confidentiality is guaranteed.

the fleet partnership

Financial Recruitment Consultants, 37/41 Bedford Row, London WC1R 4JH. 01-831 1101 (24hrs).

LEASE AND FINANCE services

Chief Accountant/Company Secretary in READING

Outstanding opportunity for qualified accountant to join a progressive and expanding company in the leasing and finance industry. We need a superior person. Vigorous, capable of decisive management, and participation at board level. An expansive person to match our aspirations and current achievements.

Coupled with a growth opportunity as part of the London Fiduciary Trust plc group, we offer high salary, car, pension, private medical insurance and share options. Where *necessary, full resettlement* costs will be *met*.

Please send updated comprehensive C.V. immediately to:

S. M. O'Connor,
Glenstar Management Ltd.
P. O. Box 407,
Ascot,
Berkshire. SL5 0LD.

FINANCE DIRECTOR DESIGNATE

West London | **Aged 28-35** | **c£35,000 + Car + Substantial Bonus**

This company is a dynamic and highly regarded international leader in the freight forwarding industry with a group turnover of US $1 billion worldwide. The high-tech sector provides it with a specific niche market within which it has established itself as the premier organisation.

As a result of a recent promotion a Finance Director Designate is required to participate in and contribute to the company's strategic and financial development.

This will involve the management of a department of 50 staff, close liaison with operating executives and timely forecasting of the company's future operating results, based on actual or anticipated changes in the economy.

An *accountancy qualification*, together with business development and financial management abilities of the highest calibre are essential requirements. In addition, a high degree of self-confidence and excellent interpersonal skills are key attributes for this high profile role.

The package will consist of a high base salary, performance bonus and excellent benefits. Further career opportunities will only be limited by personal ability.

Interested applicants should telephone Giles Daubeney on 01-437 0464 or write to him, enclosing a detailed CV, at the address below.

ROBERT • WALTERS • ASSOCIATES

RECRUITMENT CONSULTANTS
Queens House 1 Leicester Place London WC2H 7BP
Telephone: 01-437 0464

FINANCIAL CONTROLLER

Finance Sector

London – c. £40,000 + bonus + car

This leading investment banking and securities firm, with some 6,000 employees worldwide and total assets of approximately $40 billion, is building on its success in the US by establishing a UK mortgage lending and securitization subsidiary in London. Operations will begin in September 1989 and the target is to originate £250 million during the first year, rising to £750 million in Year 2.

You will be responsible for setting up an effective financial control and systems function and for on-going statutory and management reporting. As a key member of the management team you will participate fully in the development of the business and the decision making processes.

Probably in your 30's and a Chartered Accountant, you will have sound technical knowledge in all aspects of financial management in an environment which depends on the successful utilization of information systems technology. A background in home loans or a similar field of financial services would be an advantage, as would experience in the particular requirements of business start-up. Most of all, you must have the confidence, maturity and intellectual capacity to contribute in a strongly motivated and articulate team.

Please send a comprehensive career résumé, including salary history and daytime telephone number, quoting ref 3034, to Neil Cameron, Executive Selection Division.

Touche Ross

Thavies Inn House, 3/4 Holborn Circus, London EC1N 2HB.
Telephone: 01-353 7361.

INDUSTRIALLY ORIENTED CHARTERED ACCOUNTANT

To advise overseas acquisitions on group accounting systems and procedures

Up to £35,000, car and clear promotion path | **London base**

As today's most successful companies move into acquisition mode, many of them meet the same important, recurring problem: how do they bring each new subsidiary's reporting systems into line with their own established methods? When the acquisitions are overseas, the challenges multiply. That is the case with our client, a major engineering services group turning over just short of £1 billion, and growing fast. We are looking for an experienced accountant to advise new subsidiaries and associate companies on management accounting systems, procedures and practices, and to implement that advice where necessary. It is an assignment-based, high profile role, involving spells on site, initially across Europe. The ability to establish credibility with subsidiary MD's is as important as the professional accounting strengths to represent the group to local finance functions. We expect to appoint a Chartered Accountant, early to mid thirties, who has worked in a substantial group with well developed reporting systems – preferably both in the centre and, to understand local problems, within a decentralised unit. Ideal candidates will be computer literate and although most of their work will be concerned with reporting systems rather than computer systems, it would be advantageous if they had first hand experience of the problems involved in a corporate change of hardware and/or software. Reporting to the Group Finance Director, the position is clearly a stepping stone to an F.D. role with one of the subsidiaries. Please send full career details, quoting reference WE 9107, to Terry Ward, Ward Executive Limited, Academy House, 26-28 Sackville Street, London W1X 2QL. Tel: 01-439 4581.

WARD EXECUTIVE
LIMITED
Executive Search & Selection

APPOINTMENTS ADVERTISING
Appears every Monday Wednesday and Thursday
for further information call 01-873 3000 (ext 4177)

Finance Managers

To £30,000 + Car + Benefits

W. London/S. Herts/Merseyside/Co Durham

Glaxo is the UK's largest pharmaceutical company and has leapt from number 20 to number 2 in the industry world league table in just 7 years. Sales turnover has quadrupled to over £2bn pa and profits have grown 950% to £832m since 1981.

This substantial growth has created the need to strengthen the management team within Glaxo Pharmaceuticals, the Group's principal UK operating subsidiary. We are looking to appoint Finance Managers to key positions at the company's four locations: South Hertfordshire, Merseyside, West London and County Durham.

Reporting to the relevant Financial Controller, you will initiate and manage projects which are aimed at realising the full potential of the investment in both financial personnel and systems. This will include analysing current structure, systems and procedures and formulating and introducing the necessary changes to enhance efficiency, effectiveness and communications.

The roles are very wide-ranging and require cross-functional liaison at all levels. They are seen as development positions and your success will bring excellent career advancement opportunities.

Candidates will be qualified accountants or MBAs, probably aged up to 32, with at least two years' post-qualifying experience in industry and records of achievement within progressive companies. A creative, analytical approach and an aptitude for problem solving are imperative. You should have the desire and ability to progress quickly within a fast moving company.

If you would like to know more about working with one of the UK's top blue chip multinationals, please send your career details to Sue Rossiter at MKA Executive Search & Selection Limited, MKA House, 36 King Street, Maidenhead, Berkshire SL6 1EF. Alternatively, please telephone her on (0628) 75956 (24 hours) for an informal discussion.

Glaxo
Pharmaceuticals Ltd.

FINANCIAL CONTROLLER

Expanding Legal Partnership

c. £28,000 + Car
Central London

Our Client is a young but highly regarded commercial solicitors' practice. They have developed an excellent reputation in the areas of corporate, property, insurance and construction law, which has resulted in significant expansion: the anticipated growth will double the size of the practice within 5 years.

As a result of this expansion, a role has been created controlling the partnership finance function, in order to leave the Finance Partner free to manage the business. The emphasis of this new role is to take over not only the day-to-day management of the department but also to develop its ability to meet the needs of a growing, professionally run practice.

The position reports to the Finance Partner and is responsible for 2 staff. The role encompasses maintenance of tight financial controls, production of regular management accounts, budgets and forecasts, and development of the management information systems. The computer system has recently been upgraded and one of the Finance Manager's key tasks will be to develop the use of this system to meet the requirements of the practice.

Candidates should have a solid mix of practical experience and theoretical knowledge. Hence, the successful candidate is likely to be a qualified Accountant (aged over 30) and although experience gained within a firm of solicitors would be an advantage, maturity, the ability to take responsibility and an innovative approach are of prime importance.

Please apply directly to Mark Ehrlich at Robert Half, Freepost, Walter House, Bedford Street, 418 The Strand, London WC2R 0BR. Telephone: 01-836 3545, or evenings on 01-556 3615. Alternatively, fax your details on 01-836 4942.

Financial Recruitment Specialists
London · Birmingham · Windsor · Manchester · Bristol · Leeds

ROBERT HALF

Finance Director

Commercial Property Development

to £40,000 + Car + Substantial benefits

M4 Corridor

Our client is a highly successful property development group which, under the active management of a dynamic and highly-motivated team of professionals, has established itself as one of the leaders in its field. It is already one of the U.K.'s fastest growing companies, with a broad base of profitable operations, and ambitious plans for further expansion through organic and regional growth, as well as joint-venture activity.

To further strengthen its management team, they are seeking to appoint a Financial Director to provide the financial focus for its established and growing Commercial operation. Reporting to the Group Finance Director you will be a key member of the Commercial management team providing full business support to the Managing Director. In addition to supervising the preparation of accurate and meaningful management information, you will be responsible for the development and presentation of financing proposals and joint-venture agreements, and work closely with financial institutions and business partners in the funding, management and control of projects.

For this demanding and challenging role, in which you will have every opportunity to make a major contribution to the profitable development of the business, we are seeking a qualified accountant, most likely aged 30 – early 40's, who can demonstrate a successful career record of achievement to date, together with proven experience in the commercial property development sector. Above all, you will have the personal integrity, commitment and maturity of business judgement to ensure your career development with the Group, with the possibility of a main Board role in the not-to-distant future.

Please write in confidence to Neil Wax, Consultant to the Company, with full career details, including current remuneration package or, ideally, phone him on 01-387 5400 (eves 0923 819298) for an initial discussion. Financial Selection Services, Drayton House, Gordon Street, London WC1H 0AN.

financial SELECTION SERVICES
Executive Selection Division

FINANCIAL CONTROLLER

Enfield, Middx | **c. £35,000 + Car**

Gor-Ray, with a turnover of £5m, is an established manufacturer of ladies skirts and related separates, supplying independent retailers in the UK and overseas.

Following its recent acquisition, an F.C. is required to establish and administer computer-based management information systems, with responsibility for the complete finance and accounting functions.

In addition to the usual preparation of management accounts, budgeting, and financial forecasting, a strong commercial input will be expected with a 'hands-on' approach in a company which is targetting major growth.

Applicants should be qualified accountants, ACA, ACMA, or CIMA, and aged 27+. Previous experience in this or in a related sector would be advantageous.

Please send full C.V. to:

Mr R. Gosling, Gor-Ray Limited,
758 Great Cambridge Road, Enfield, Middlesex EN1 3RN

Finance Director

c £27,000 P.A., Excellent Benefits

A £7M turnover, autonomous, market led subsidiary of a highly respected PLC requires a Finance Director, based in High Wycombe.

This challenging opportunity occurs as the company is embarking on a programme of business expansion following an appraisal of its market standing and a realignment of its activities. Together with sister companies, the business operates in a world-wide market, focused on Europe, and distributes a full line of branded consumables in a dynamic service environment.

The requirement is for a young professional, aged around thirty, with a strong commercial orientation, a commitment to success and the experience and personal characteristics to enable a major contribution to planned growth. A flexible team player with longer term *management potential is essential.*

The rewards and prospects are excellent and in line with the blue chip parent.

To apply, please write, enclosing a full CV and details of any companies to whom you do not wish your details to be forwarded, to: Mr. David Voice, Managing Director, Portland International Management Consultants Limited, Lloyds House, 18 Lloyd Street, Manchester M2 5WA. Tel: 061-834 5825.

Portland International
Management Consultants Limited

FINANCIAL CONTROLLER

CENTRAL LONDON | **£24,000+Car+Benefits Neg.**

Our clients, a long established and successful Publishing Company, are seeking an enthusiastic self starter to strengthen the Senior Management Team of a highly successful division.

Reporting to the Managing Director you will be responsible for the development and control of the Divisions Accounting Function whilst contributing to the Company's objectives of growth and future profitability.

Ambitious, energetic individuals with an accounting qualification and commercial/industrial experience will be rewarded with a highly attractive package including a performance related bonus and company car.

For further information contact:
Accountancy Personnel,
3rd Floor,
40/41 Old Bond Street,
London W1X 3AF.
Tel: 01-499 4834

COLERIDGE COLE & ROBERTSON

FINANCIAL CONTROLLER

WC1 | **£25,000+Car**

This highly successful financial services group have a newly created career opening for a strongly motivated individual to join their management team. Initial responsibilities will include the installation of new computer systems, management and financial accounts, together with a strong emphasis on financial planning and feasibility studies. The ideal candidate should take a 'shirtsleeves' approach to their work and thrive in a sales environment. Ref: SS/9C.

For further information contact:
Accountancy Personnel,
307/308 High Holborn,
London WC1V 7LR.
Tel: 01-404 4561

Accountancy Personnel
Placing Accountants First

Hays

Financial Controller

Banking **West London**

To £35,000 + Car + Benefits

Our client is a very profitable expanding, entrepreneurial Merchant Bank, with offices in London and Bristol. This autonomous banking subsidiary of a large, diversified group is primarily involved in portfolio management and property finance.

The Bank seeks to recruit a Financial Controller to head up the accounting function. Reporting to the Managing Director, and with responsibility for five staff, they will wholly manage the computer systems, produce management information, Bank of England returns and will sit on the Bank's Management Committee.

Applicants should be qualified accountants (ACA, ACCA) with at least 3 years' post-qualification experience. Ideally candidates should have strong technical skills, a sound understanding of computer systems, and an appreciation of regulatory compliance. The position offers an excellent opportunity for the further responsibility and promotion to the right candidate.

A salary in the region of £30–35,000 is offered together with car and benefits. Please write in confidence, enclosing full career details, quoting ref: SHA 1311 to Sean Connolly at the address below.

SH Stoy Hayward Associates

MANAGEMENT CONSULTANTS, EXECUTIVE SELECTION DIVISION, 8 BAKER STREET, LONDON W1M 1DA
FAX: 01-487 3686
A member of Horwath & Horwath International

COMMERCIAL CONTROLLER

c.£35,000 + Car + Bonus

Central London

Decision-Making Role: Hi-Tech Sales

This major US hi-tech company markets and distributes a highly respected product range to a broad mix of clients: in a dynamic and volatile industry sector, high quality financial input is an essential management tool. A high profile role exists for a Commercial Controller to contribute to and participate in the management process within a £50m t/o sales subsidiary.

The overall brief is to develop awareness of fundamental business issues throughout the divisions: reorientating the sales force away from volume towards margin. With mainstream accounting centralised at head office, the role reports to the General Manager, controls 20 staff and takes responsibility for:

- commercial cycle management, financial management and asset management of the operation;
- playing a key decision-making role in the divisional management team;
- accepting sales contracts on behalf of the company.

Additional areas would include the development of business planning and the further enhancement of financial tools used by field staff. Considerable contact with major clients, particularly at contract negotiation stage, will demand excellent presentation and interpersonal skills.

Candidates will be qualified Accountants (aged to 35) with a rounded financial background, an outgoing personality, and ideally, hi-tech experience. The ability to assess the impact of financial information on fundamental business issues is a pre-requisite.

Please apply directly to Greg Ripley at Robert Half, Freepost, Walter House, Bedford Street, 418 The Strand, London WC2R 0BR. Telephone: 01-836 3545, or evenings on 01-485 1356. Alternatively, fax your details on 01-836 4942.

ROBERT HALF

Financial Recruitment Specialists
London · Birmingham · Windsor · Manchester · Bristol · Leeds

CHIEF ACCOUNTANT

Leeds £25,000 - £30,000 + Car
and substantial equity opportunity

Our client, a property development, investment and management business, has brought together considerable expertise and experience in a recently established company in Leeds. Rapid growth through the acquisition of companies and properties will be a feature of the company's planned development with the objective of seeking a listing in two to five years.

A chief accountant is now to be appointed as a key member of the management team. The position demands an able finance specialist probably aged 25-30 who will be capable of developing systems as the company grows, but who will also contribute in acquisition studies and project appraisal. Candidates will be graduate chartered accountants of the highest intellectual calibre whose technical skills will be complemented by flexibility, an innovative approach and the ability to respond in a very demanding and fast-moving business. Success will lead to a board appointment within two years.

This is a most important appointment and the company will offer an attractive negotiable salary package, a car and other benefits including a share option which should lead to opportunities to acquire a valuable interest in the business.

Please write in confidence, quoting reference L/929 giving full details of your relevant experience to David Bannister.

KPMG Peat Marwick McLintock

Executive Selection and Search
City Square House, 7 Wellington Street, Leeds LS1 4DW

Group Financial Controller

Northamptonshire

c.£30,000 plus car and benefits

Our client is a privately owned plc, engaged mainly in manufacturing. The company has an impressive record of growth, both organic and by acquisition. A combination of excellent profits and more than adequate funding means that further sustained growth is planned.

These developments mean that there is now a need to recruit a qualified accountant to lead the accounting team. The position will report directly to the Chief Executive, and will be based in the main operating location. The role involves statutory and management accounts, consolidations and Company Secretarial duties.

You should be a qualified accountant, age 30-45, computer literate and keen to provide guidance to the accounts staff to cope with the Group's growth. You should be flexible in approach and keen to work in a friendly, professional and profitable environment.

If you think you have the flair and outgoing personality that this position requires please write to Geoffrey Rutland ACA, ATII at the address below, quoting ref 1575A, and giving concise career and salary details, and daytime telephone number, or call him on 01-583 3303 (office) or 01-878 8395 (home).

BDO BINDER HAMLYN

BDO Binder Hamlyn Management Consultants
8 St. Bride Street, London EC4A 4DA

Young Management Accountant

Career Development in an Acquisitive and Successful plc

c£30,000 + Car **Midlands Based**

This new appointment is with a fast-expanding manufacturing group; it will appeal to qualified candidates, with 2 or 3 years management accounting and systems experience in industry. Given success, opportunities will arise to move into a bigger financial role, as subsidiary company FD for example, or indeed into general management.

Key tasks will include developing management reporting and financial control systems, investigating and reporting on subsidiary company performance and helping to assimilate acquisitions.

Applicants, probably aged around late 20's, must understand the importance of strong financial controls in a progressive manufacturing environment. An achievement-driven proactive approach, commitment, flexibility, personal presence and communication skills are essential.

Salary around £27,500; profit related bonus; company car; generous benefits including relocation assistance where appropriate.

Please write – in confidence – to Paul Gardner, Ref. 84029 MSL International, Centre City Tower, 7 Hill Street, Birmingham B5 4UA.

Offices in Europe, the Americas, Australasia and Asia Pacific.

MSL International

Financial Director

"A broad commercial role in an international company"

East Midlands **£32,000+** **Executive Car**

This is an opportunity to join a growing and stand alone company within a major international electrical engineering group. The business which turns over around £6m, is well founded, growing by acquisition and internal development and facing truly international marketing challenges.

Your role will be to contribute to the overall strategic and commercial management of the company both in the UK and overseas, and to provide timely financial management information to the rest of the management team.

Aged 30 plus, candidates will be FCA's with around 10 years' progressive financial and management accounting experience in manufacturing businesses using standard costs. More importantly they will be commercially orientated and keen to provide the appropriate financial environment to help the company to grow in all its markets worldwide.

There will be opportunities to identify and negotiate acquisitions, and to open and establish new subsidiaries. The benefits are those of a major group and relocation expenses will be offered to an attractive part of the East Midlands.

Please write with full details to Michael Carr, quoting reference B16158.

MSL International (UK) Ltd.
Clinton House, 2-4 Clinton Terrace, Derby Road, Nottingham NG7 1LY.
Offices in Europe, the Americas, Australasia and Asia Pacific.

MSL International

CHARTERHOUSE

FINANCE DIRECTOR
Development Capital

Charterhouse Development Capital, part of Charterhouse Group plc, is one of the longest established institutions in the field of development capital and management buy-outs, and during the last financial year completed a record level of business, investing £83 million in 58 unlisted companies. There are currently 58 employees in 3 different U.K. locations with associated companies in France and Spain.

Recent growth has led to the need to appoint a Finance Director based in London whose responsibilities in addition to the finance function will include data processing, compliance, fund administration, company secretariat and general office management.

Probably aged 40-50, this person should be a qualified accountant who has had direct responsibility for financial planning and control and the production of effective management information. Experience of managing micro/mini-computer systems is important. Excellent interpersonal skills and ability to communicate readily in a highly professional and entrepreneurial environment are vital but previous experience of the sector is not essential. Salary is negotiable but likely to be in the region of £45,000 plus car, mortgage subsidy and comprehensive City benefits.

Please write enclosing a detailed C.V. to David Stenhouse, Group Personnel Director, Charterhouse plc, 1 Paternoster Row, St. Paul's, London EC4M 7DH.

Charterhouse Development Capital is a member of IMRO.
The Royal Bank of Scotland Group

ASSISTANT GENERAL MANAGER - RESOURCES

Package c.£30,000 + Executive Benefits

Our client is an independent Assurance Society, with a Head Office located in the Midlands. Operating within a niche market, the Society has increased new business considerably in recent years, and now wishes to recruit an additional member to strengthen the Executive Team.

Reporting to the Chief Executive, the successful applicant will take responsibility to ensure the necessary systems and procedures are in place to make efficient use of the Society's financial and human resources.

The ideal candidate for this newly created and challenging role must therefore be more than just a qualified accountant with D.P. experience, but also have a successful track record at management level.

The initial salary will be in the region of £30,000, plus the usual executive benefits.

If you feel you have the background and stature to perform this innovative role, then please write with brief career details to:

Mr. J. A. Cox,
Arthur Young, St Nicholas House,
Market Hill, 15-17 George Street,
Luton. LU1 5DJ
clearly marking envelope ref. JA44

Arthur Young
A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Finance Director

West Of Scotland

c £30,000, Package, Car

A first class performance record characterises this Scottish plc who have established a fine reputation in the retail sector. The requirement is for an accomplished Finance Director reporting to the Managing Director with responsibilities including the extension and development of the finance function, comprehensive financial planning and enhancement of the management information systems.

Ideally aged over 30, candidates will be qualified accountants with an excellent background in financial management at a senior level and an indepth knowledge of modern, computer based systems.

This is an outstanding opportunity for someone who thrives on responsibility in a challenging and dynamic business environment. Initiative, drive and strong interpersonal skills are key to success in this forward looking organisation. First class conditions of employment include contributory pension, private health care and life assurance.

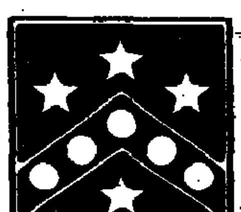
S. Hannah, Ref: G19001/FT. Male or female candidates should telephone in confidence for a *Personal History Form 041-221 2585, Fax: 041-221 8352, Hoggett Bowers plc,* 29 St. Vincent Place, *GLASGOW,* G1 2DT.

Hoggett Bowers

BIRMINGHAM, BRISTOL, CAMBRIDGE, CARDIFF, EDINBURGH, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, NOTTINGHAM, SHEFFIELD, WINDSOR
A Member of Blue Arrow plc

INSIDE

Recovering from disaster



A disastrous move into corporate banking was the primary reason why the state-controlled Bank of New Zealand, the country's largest financial institution, slid into an annual net loss of NZ$648.8m (US$374.8m). The loss, the worst ever by a New Zealand company, prompted the government this week to agree to a NZ$600m rescue package designed to shore up the bank's depleted reserves and bring it into line with international capital adequacy standards. **Page 23**

The truth in the jest

Asked to describe the state of the Swiss international bond market, one syndicate manager puts it succinctly: "It's in deep yoghurt." Another says: "There used to be a joke that the Swiss market was a Mickey Mouse market. Well, now it's not a joke; it's dangerously near the truth." Andrew Freeman reports on how high interest rates, the rapid rise in yields and an unprecedentedly weak currency have hit the market. **Page 26**

Some peace — if not quiet

It triggered much talk of an imminent bid. But last week's £100m ($158m) juggling act between Pearl Group's two antipodean shareholders, Australian Mutual Provident and FAI Insurances, may instead lay to rest the myth that British insurance companies are about to be engulfed by a wave of hostile bids from foreign insurers in the run-up to 1992. **Page 30**

Taiwan catches the jitters

The Taiwanese stock market has been suffering from similar jitters to Hong Kong's this week as investors nervously eye events in China and struggle with fears of a military invasion. Jacqueline Moore reports. **Page 44**

Consolidation at Reed

Reed International, the publishing and information group, yesterday announced an increase in pre-tax profits of 12 per cent to £271m ($428m) for the year ending March 1989. During the year Reed sold manufacturing businesses for a total of £830m, leading to an extraordinary gain of £308m after tax, and £286m was spent on publishing acquisitions. Since the end of the financial year commitments have been made for further acquisitions worth a further £652m. But Mr Peter Davis, Reed chief executive (above), said there were no other large acquisitions in the pipeline and the emphasis would be on integrating the new businesses. **Page 27**

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				Matra	335	+	11
Rises				Salomon	464	+	10
Bayer Verein	389.5	+	8.5	**Falls**			
Karstadt	542	+	8.5	BSN	677	−	14
Nixdorf	320	+	10	Havas	1000	−	10
Viag	314.5	+	9	Usinor	763	−	23
Falls				**TOKYO (Yen)**			
Bilfinger	460	−	12	**Rises**			
Hoechst	303	−	11.8	JGC	2340	+	280
NEW YORK ($)				Teikoku Pipe	1340	+	190
Rises				Tokyo Soka	2350	+	250
CBS	205⅝	+	4¾	Tokyu Store	1580	+	180
UN B'cast	129½	+	26	**Falls**			
McCaw Cellular	47	+	3¾	Fuji Robo	2200	−	130
Racal Tele.ADR	81	+	5	Nikon Spindle	1360	−	90
Time Inc.	170	+	43⅞				
Millicom	47¼	+	4¼				
PARIS (FFr)							
Rises							
Cetelem	825	+	13				

LONDON (Pence)				Rank Org.	959	+	17
Rises				Rugby Grp.	212	+	7
Bass	950	+	13	Securicor Grp.	1025	+	70
Blue Circle	563	+	8	Tarmac	322	+	5
Body Shop	637	+	41	THORN EMI	720	+	19
Carclord Eng.	282	+	8	Unigate	389	+	9
Electrocomps.	208	+	13	Ward White	313	+	12
Fosaco	357	+	40	**Falls**			
Jaguar	350	+	6	Anglia Secure	198	−	14
London Utd.	60	+	10	Lex Service	369	−	9
MEPC	671	+	8	Magnet	277	−	6
MTM	216	+	9	Reed Int.	387	−	17
Racal Elect.	558	+	52				
Racal Telecom	519	+	40				
Rentsworth	299	+	17				

Paramount offers $10.7bn for Time

By **Anatole Kaletsky** in New York

LAWYERS, investment bankers and arbitrageurs on Wall Street prepared themselves yesterday for one of the biggest and most unpredictable takeover battles in US history, as Paramount Communications formally began its $10.7bn tender offer for Time Inc.

Paramount's $175 a share offer, which was announced unexpectedly late on Tuesday, well after stock market traders had gone home for the night, seems almost certain to break up the friendly merger agreed three months ago between Time and Warner Communications.

The Paramount bid values Time at more than 35 times its 1988 earnings and 19 times its cash-flow. It immediately led Wall Street to revise sharply upwards the values of many other media and entertainment stocks, many of which had already been boosted by takeover speculation.

While Time's shareholders were the biggest winners, as the company's stock jumped by $42½ to $168⅝, holders of other media stocks, including MCA, McGraw Hill, CBS and Warner, also saw big profits. The Dow Jones Media Industry stock group jumped 6.5 per cent within a few minutes of the opening bell.

While Mr Martin Davis, Paramount's chairman, admitted that buying Time would significantly dilute his company's reported profits, arbitrageurs on Wall Street put forward the argument that Paramount might ultimately offer as much as $210 a share to break up Time's deal with Warner and win control of Time.

Takeover specialists also looked forward to the possibility of Warner itself mounting a cash tender offer for Time or possibly joining forces with Time to bid for Paramount.

Whether Warner or Paramount ultimately won the Time battle, the losing company could then be expected to mount a takeover bid for another major US media group, the speculators argued.

Time's management said only that they would put Paramount's offer to the board, as required by law.

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THE LONG REACH OF MARTIN DAVIS

Engulf and Devour — the sequel

James Buchan on why Martin Davis is bidding such a high price for Time

MARTIN Davis is a hard man. A second-generation Pole who grew up in the Bronx and sounds like it, Mr Davis started his working life in the meanest of all mean American businesses, motion pictures.

From Paramount, the Hollywood film studio, he rose to power as henchman to Charles Bluhdorn, who turned an obscure Michigan bumper manufacturer he named Gulf + Western into one of America's first modern conglomerates — the Engulf & Devour of Hollywood lore.

But when Charlie Bluhdorn died in 1983, Mr Davis ruthlessly disposed of $4bn of his mentor's favourite businesses, fired a couple of hundred headquarters employees and focused the company on his own passion for entertainment and publishing.

In an interview with Fortune magazine in 1984, Mr Davis said: "I don't expect everyone to get up and applaud me."

The next few weeks will show just how hard Mr Davis is. On Tuesday evening, he barged into the planned merger of Time and Warner Communications, announcing that Paramount — as Gulf + Western is now known — will pay $10.7bn in cash for Time and its famous array of magazines and book companies and television businesses.

Mr Richard Munro, Time's chairman, reacted like a man bitten by a snake: the offer was hostile, he said, and "in contradiction of explicit assurances" he had had from Mr Davis.

Mr Davis, who is 61, shrugs this off. Late on Tuesday night, he said: "We have had discussions with Time over the years, but they said they wanted to stay independent and I respected that. But the agreement with Warners changed all that. It put them in play."

The Davis offer, which is priced at $175 a share in cash, will surely unleash a battle for control of Time. Mr Munro and Mr Steve Ross, the chairman of Warner, have erected a palisade of defences around their cherished merger, which takes the form of a stock swap.

A so-called "poison pill" by-law makes control of the company exorbitantly expensive to buy without board consent. Another mechanism, which is triggered by a hostile bid, "locks up" 11 per cent of Time with Warner. But Wall Street people say that Mr Munro and Mr Ross must recognise that much of Time is in the hands of investing institutions and professional speculators who want hard cash over shares. Mr Ross and Mr Munro may have to pay up to save their deal.

Time-Paramount, if it comes about, will have sales of about $7.6bn from making films and other programming and from books, magazines and cable. Time-Warner would be bigger, with revenues of almost $9bn, and would include Warner's powerful record business. But in terms of business strategy, there is nothing to chose between the two plans.

Mr Ross, Mr Munro and Mr Davis are all talking about creating a global media giant, which will distribute entertainment through different channels and act as America's national champion against the likes of Sony of Japan, Bertelsmann of West Germany and other overseas conglomerates.

In announcing their merger on March 5, Mr Ross and Mr Munro said they wanted to "create a combined American entity with the resources needed to compete globally with anyone in our industry." Mr Davis, in Tuesday night's interview, said: "What we have here is the components that make up a global media organisation."

What has stunned Wall Street, and the executives of Time and Warner, is the price Mr Davis is ready to pay. Last year, Time reported earnings after taxes of $289m or $5.01 a share from its revenues of $4.5bn.

Mr Davis is willing to pay the equivalent of 35 years' profits for the company, a valuation rarely seen outside the lofty Japanese stock market.

In addition, Paramount is offering about $8bn or $150 a share more for Time than the value of its hard assets. This surplus, known as goodwill, merely shows that Time's value is in its titles and franchises.

But under arcane US accounting rules, this vast sum must be charged to Paramount's profits over the next 40 years. As Mr Davis admitted yesterday, Paramount's reported profits are going to be "significantly lower" after the merger.

Mr Davis said on Tuesday night that he would borrow from banks substantially all the money he needs. He can bank on at least $3bn from the sale of Paramount's last non-media business — a highly successful financial company called The Associates — which he put up for auction in April. But that still leaves more than $7bn to borrow, and more if competing offers drive up Time's price.

Time generated $535m of raw profits last year that would theoretically be available for paying interest, but that would not cover $7bn in debt let alone leave anything for dividends. It is this kind of arithmetic that lulled Time and Warner into thinking they were safe from a cash bid.

Mr Davis has his own arithmetic and the key to it is distribution. More than any Hollywood company except Disney, Paramount treats its ideas as brand franchises, to be exploited through proliferating mediums.

Mickey Mouse is now franchised for babys' nappies. Less ambitious, Paramount has become master of the sequel. The Indiana Jones "brand" has generated over $700m at the box office for the studio: the latest of the three movies, Indiana Jones and the Last Crusade, was released on May 24 and is the most successful new film ever.

Mr Davis himself likes the example of Star Trek. "We took a 1960s network show," he says, "and turned it into a leading syndicated TV show, five hit motion pictures, a whole series of hard and soft cover original Star Trek novels, a new Star Trek TV series now in first-run syndication — and even a Star Trek credit card."

Time would bring to Paramount a vast new magazine market, expand its access to readers of books and provide new distribution outlets through cable and pay-television.

Mr Davis began his career in films as an office boy at Samuel Goldwyn's movie studios in New York. Like the great movie mogul, he thinks big.

If a merger with Time produced the promised benefits, it would make Paramount the leading entertainment and information company in the US and maybe the world. If it failed, it would probably destroy Paramount.

Brierley in restructuring deal with Goodman

By **Chris Sherwell** in Sydney

A RESTRUCTURING of two prominent Australian companies — Industrial Equity (IEL), an investment group, and the Goodman Fielder Wattie food combine — was under way last night as part of a complex A$1.1bn ($831m) merger transaction unveiled by Sir Ron Brierley, the New Zealand entrepreneur.

The deal, which came at the end of a day of market speculation about an impending announcement, involves a cash-and-share takeover of IEL by Goodman Fielder followed by the sale of IEL's Woolworths retail chain to Brierley Investments (BIL), IEL's present New Zealand parent.

The agreement gives Goodman a chance to acquire additional food-based businesses in Australia and to reap further benefits from the sale of unwanted IEL assets. But it left questions about IEL's future identity within the group.

For Sir Ron, the deal not only gives him direct control of Woolworths and simplifies the structure of his empire, it also provides considerable influence over the future direction of Goodman. BIL will finish with 9.6 per cent of the food group and two seats on the board.

Analysts said a larger stake in the group seemed likely, particularly as Ranks Hovis McDougall of the UK has put its holding on the market after abandoning its £1.3bn takeover for Goodman.

Amid yesterday's agreement came the resignation of Mr Duncan McDonald, Goodman's managing director since 1985. He was said to have agreed with the IEL transaction, but was unhappy over the organisation of the Goodman group, an issue the Brierley proposal seems to have brought to a head.

Altogether, Goodman will spend A$1.12bn in cash and issue 312m shares to complete the takeover. It will then receive A$1.1bn in cash from the Woolworths sale, absorb IEL's food-related businesses and then seek to dispose of its share portfolio and other unwanted assets.

The Brierley group said the deal — based on an IEL share price of A$2.40, a 26 per cent premium to market levels — recognised the value in IEL.

Although BIL would increase its cash investment in Australia by around A$400m, it pointed out that Woolworths was ungeared and said the deal meant profit from Australia would in future come from recurrent activities.

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Lafarge Coppée forms European group in FFr5bn deal

By **George Graham** in Paris and **Peter Bruce** in Madrid

LAFARGE COPPEE, the leading French cement group, yesterday announced a FFr4.5bn to FFr5bn ($744m) deal which will push it into second place in the world cement market.

The French company will acquire control of Cementia, the Swiss cement company with strong positions in the US, Austria and the Indian Ocean, and, in the process, will become the dominant shareholder of Asland, the leading Spanish cement producer.

The combined group will have a capacity of 46m tonnes of cement a year, behind the Swiss Holderbank but overtaking Blue Circle of the UK. The three companies will interchange directors but remain as distinct units, each separately listed on its respective stock exchange.

Lafarge said yesterday that the deal would create a European group able to optimise production across national borders, especially in the Mediterranean. In North America, there would be no commercial synergy, since Lafarge's and Cementia's geographical markets do not overlap, but there would be strong prospects for development in expanding markets such as Brazil, the Caribbean and the Far East.

Lafarge said the acquisitions would be funded from the group's cash and from a guaranteed bank credit line, and that it would not tap the capital markets.

The deal provides for Lafarge to take control of a holding company which itself has 60 per cent of Cementia's voting rights. Lafarge will also buy a 20 per cent stake directly in Asland, in which Cementia is already the leading shareholder with a stake thought by analysts to be around 29 per cent. At the same time, Asland, which is already a shareholder in Cementia, will take a stake of approximately 1 per cent in Lafarge.

Asland, with cement-making capacity of 2.9m tonnes a year, is Spain's second largest producer and has recently begun an ambitious diversification programme. The group, capitalised at $2.6bn on the Madrid bourse, last month became the biggest single shareholder in Banesto, one of Spain's main commercial banks, by buying a 2.5 per cent stake, and has also recently bought 5 per cent of Cementia.

Asland's two biggest shareholders outside the Bertran family which manages the company, have been Cementia and Blue Circle of the UK. The group has converted itself into a financial holding company in the past few years and much of its cement plant has been made over to newly-created subsidiaries.

Background, Page 22

UK Government sells Shorts to Canadians

By **Lynton McLain** in London

THE SALE of Short Brothers, the Belfast aerospace company and the largest employer in Northern Ireland, to Bombardier of Canada for £30m ($47m) was announced by the UK Government yesterday.

The deal involves a government injection of £780m into Shorts, which the Canadian company will have to keep for at least four years.

Shorts is one of the oldest aircraft companies in the world and employs about 7,000 people in its aircraft, missiles and aero-structures factories in Belfast.

Under the deal, Bombardier, which makes trains and aircraft, will combine the company with Canadair, its existing business jet subsidiary.

Bombardier will give assurances in relation to the future of Short Brothers, which include the maintenance of Shorts as a separate whole entity in Northern Ireland, covering the missiles, aircraft and aero-structures operations.

Bombardier is also to carry out a major capital investment programme and provide a business plan designed to secure the future of Short Brothers as an "economically viable and self sustaining aerospace employer," said Kleinwort Benson, the merchant bank advisers to the Government on the privatisation of Shorts.

The Government rejected the option of making the funds available and allowing Shorts to remain independent because it believed that the company needed external management skills to survive. The sale ends last year's plan under which the Belfast company was to produce its FJX twin jet regional airliner, which would have cost more than £500m to develop.

Instead, Shorts is to help develop the rival 50-seat Canadair RJ Regional Jet. This aircraft already has 56 firm orders, and the prospective world market is estimated at about 1,000 regional airliners, worth $14m-$15m each.

The sale to the Canadian group remains subject to further negotiations and requires the approval of the Office of Fair Trading and the European Commission. Approval would create an aerospace company of Shorts and Canadair with an annual turnover of C$1bn (US$830m). Bombardier already has a total turnover of C$1.4bn.

Magnet buy-out bid moves step closer to success

By **David Waller** in London

THE £629m ($993.8m) controversial management buy-out bid from Mr Tom Duxbury for Magnet came closer to success yesterday when it emerged that Sun Life, the insurance group which sparked an institutional revolt over the terms of the offer, was now prepared to accept the deal.

Sun Life said it was ready to accept the offer on behalf of its 12.45 per cent stake in the kitchen furniture company's convertible shares. It also disclosed that it had already accepted on behalf of its share in the ordinary equity, which amounts to 1.35 per cent after recent purchases.

Despite Sun Life's change of heart, the stock market remained sceptical about the outcome, with Magnet's ordinary shares closing down 6p at 277p, compared with the offer price of 300p.

Background, Page 28

France moves up world cement league

George Graham on the international deal in building materials

The day after BSN clinched a $2.5bn deal to buy five biscuit and crisp companies from RJR Nabisco, Lafarge Coppée, the cement group, rammed home the message that French companies are on the expansion trail with an acquisition that will create the world's second largest cement producer.

By acquiring control of Cementia, the Swiss group, and therefore Asland, the leading Spanish cement producer controlled by Cementia, Lafarge will build a group with annual capacity of 46m tonnes of cement.

The whole concern will vault over the UK's Blue Circle into second place in the world market behind Holderbank of Switzerland.

The deal is a loud parting shot from Mr Olivier Lecerf, who is due to hand over the chairmanship of Lafarge Coppée to Mr Bertrand Collomb this summer after 15 years as head of the group.

In 1981, Lafarge expanded into the US with the FFr2bn acquisition of General Portland; eight years later, besides reinforcing its position in North America through Cementia's subsidiaries Davenport and Missouri Portland, it will step towards consolidating its position in continental Europe as well as in the Indian Ocean.

Cementia, in partnership with Oesterreichische Laenderbank, controls the largest Austrian cement producer, Perlmooser, which has a capacity of 3.3m tonnes a year. It is also a partner of Blue Circle in a 1.4m tonne plant at Mombasa in Kenya, and in a 950,000 tonne plant in Indonesia.

Asland, meanwhile, is the largest cement producer in Spain, with some 5m tonnes a year of capacity. Cementia is Asland's biggest shareholder, while Lafarge has acquired a 20 per cent stake separately.

The accent on European development is not accidental. Mr Collomb, who headed the US subsidiary Lafarge Corporation before becoming vice chairman of the group, notes that, outside France, the group has developed less in Europe than in North America.

Country by country, he says, the European cement industry may appear highly concentrated, but if looked at on a continental scale, as you would look at the US market, it is still fragmented.

"It is clear there will be more concentrations, and we want to be involved in them," he has said.

Lafarge is present in West Germany, with a modest 700,000 tonne plant, but expansion into neighbouring countries has presented more difficulty than it has in the US.

There Lafarge has a strong presence, especially in the Great Lakes region, and the addition of Cementia's two subsidiaries will push it into first place with capacity of 14.8m tonnes.

In the US, concentration has been carried out largely by foreigners such as Lafarge, Holderbank and Blue Circle, which are now market leaders ahead of the domestic groups.

Cement producers attribute this partly to the attitude of the Federal Trade Commission, which held up some mergers on the grounds of concentration in some markets. However, they also blame the lack of long-term commitment of US industrialists to the brutal application of new environmental protection rules, and a price freeze imposed at the worst possible moment under President Jimmy Carter.

Some industrialists are concerned that the European Commission – which has already come to blows with the cement industry several times over accusations of cartel price-fixing – may hold up the concentration that the companies see as inevitable.

Lafarge retains four other product families: concrete and granulates, which account for some 30 per cent of sales; plaster, which could become more important if the buy-out of National Gypsum in the US is completed; building materials; and seeds and biochemicals. In all these sectors Lafarge plans to maintain its development.

However, the deal with Cementia and Asland makes it clear that Lafarge has not shaken the cement off its boots. On the contrary, it allows Lafarge to refocus on its core business, which had recently fallen to represent 40 per cent of sales.

Arbed issue paves way for resumed dividend

ARBED, the Luxembourg steel group, plans a share and convertible bond issue in a move which suggests that the company might resume dividend payments next year, APDJ reports.

"We are in a position to pay a dividend for 1989," a company official said yesterday. Arbed, which moved back into profits last year after a string of heavy losses, has not paid a dividend for ten years.

According to Morgan Stanley International, Arbed is offering 242,000 new shares throughout Europe. The issue, which represents 4.9 per cent of Arbed's capital, will be priced on June 14. The bond element of the financing is to be a convertible valued at ECU65m, Morgan Stanley said.

The move to raise capital follows Arbed's recent balance sheet reorganisation which wiped out accumulated losses but reduced share capital to LFr11.4bn from LFr18.66bn.

At the time Arbed said it wanted to attract new investors. Its main shareholders at present are Société Générale de Belgique, Belgium's largest holding company, and the Luxembourg Government.

Arbed posted a profit of LFr2.32bn in 1988, reversing a year-earlier loss of LFr2.2bn. Net profits last year totalled LFr11.8bn. Arbed president Mr Georges Faber said 1988 had been a spectacular success for the European steel industry. He looked forward to 1989 at least maintaining last year's earnings.

French Government stops Pathé Cinéma takeover

By George Graham in Paris

THE FRENCH Government has blocked the acquisition of Pathé Cinéma, one of the leading French film distributors, by an investment company backed by Mr Giancarlo Paretti, owner of the Cannon film group.

Pathé was sold in December by the Rivaud group, which had recently escaped an assault on its capital by Banque Stern and Dumenil-Leblé, to Max Théret Investissement (MTI) for FFr950m ($141m).

Mr Théret, founder of FNAC, France's leading book and record retailing chain, was recently charged with insider trading in the Pechiney case. He has been accused of acting as a front for Mr Paretti in the takeover of Pathé.

Mr Paretti has always affirmed that Pathé had a French majority. Mr Théret himself claimed to be wholly in charge of the takeover; yet in January, on the election of a new Pathé board, he did not become a director, while Mr Paretti took the vice chairmanship.

A French finance ministry investigation, however, has concluded that the Italian and Swiss investors involved in the acquisition of Pathé had broken French regulations governing foreign investment, and therefore the sale has been blocked.

Since the MTI takeover Pathé has allied itself with Mr Silvio Berlusconi, the Italian television magnate.

The link was planned to bring together Pathe's cinemas in France with those of Mr Berlusconi in Italy and of Cannon in the UK and the Netherlands to form a European chain with 2,000 outlets.

Swatch maker boosts sales

By William Dullforce in Berne

SMH, THE big watchmaking group which has spearheaded the recovery of the Swiss industry over the last five years, realised an 18 per cent increase in sales in the first five months of this year compared with the corresponding period last year.

Earnings grew more markedly, even before favourable recent changes in exchange rates had been taken into account, said Mr Nicolas Hayek, chairman and chief executive, when presenting the group's annual report for 1988 yesterday. From whatever angle one looked, the company's position was encouraging, he said.

But he warned against complacency, announcing that under the prevailing situation on the Swiss stock market SMH would still not implement a plan to issue bearer shares to foreign investors. SMH postponed the bearer share issue last year after Nestlé, the big foods group, caused turbulence on the market by opening its registered stock to foreigners.

Mr Hayek remarked that SMH's shares were still "obviously" under-priced on the stock exchange, given its profit potential, the value of its real estate and equipment, and the reputation of its watch brands. These include Omega, Longines, Tissot and Swatch.

In 1988 the group recorded its best results since it was formed by a merger in 1983, at the height of the Swiss watchmaking crisis. It also strengthened its balance sheet. As reported previously, net consolidated earnings climbed by 36 per cent to SFr105m ($61.8m) on gross sales of SFr1.85bn.

The 3.4 per cent growth in turnover would have been 5.5 per cent after allowing for disinvestments and currency fluctuations. This modest increase veils SMH's success in expanding in all watch price categories while cutting the average unit selling price.

Cash flow at SFr176m was up by 17 per cent. Net consolidated earnings per share rose from SFr23 in 1987 to SFr32 and the board has proposed an increase in dividend from SFr6 to SFr8 per share and participation certificate.

But Mr Hayek's warning against complacency noted that Japanese watchmakers were increasingly automating their production and improving quality. SMH "had not a minute to lose" in rigorously controlling costs and speeding up product development.

Thorn EMI puts three businesses for sale

By Hugo Dixon in London

THORN EMI of the UK said yesterday that it was putting up for sale its defence electronics, food-mixing and gas meter businesses. The three divisions have a combined turnover of about £400m ($625m) and are expected to sell for roughly the same amount.

The announcement is the latest step in the restructuring of the UK defence electronics industry, following the joint bid by the General Electric Company and Siemens for Plessey, and Racal Electronics' decision to look for partners for or to sell its defence businesses.

All these moves are being driven by the need to achieve sufficient scale to finance research into the next generation of weapons systems, the costs of which are escalating.

Thorn's move is also the latest phase in its retreat from electronics manufacturing. Over the past three years, it has shed a large number of high-risk businesses and focused on the three divisions of lighting, rental and music.

The company has sold its interests in white goods, television manufacturing and microchips. At the same time, it has built up its lighting and music divisions through a string of acquisitions. This has taken the group's gearing ratio to over 50 per cent, which it now plans to reduce.

After the three latest divisions have been sold, Thorn will still have businesses in software, security and retailing which do not fit into its highly-focused strategy.

The defence electronics business, with turnover of about £300m, is the largest of the three divisions highlighted for disposal, but small by international comparison.

Thomson, France's largest defence electronics company, is interested in the business as a way of getting into the UK market.

Nordbanken raises earnings by 27%

By Robert Taylor in Stockholm

NORDBANKEN, Sweden's fifth largest commercial bank, yesterday reported a 27 per cent improvement in profits for the first four months of the year from SKr244.4m ($23.3m) to SKr309.6m. It forecast a good result for the whole of 1989.

Interest income increased by 19.4 per cent to SKr460.9m compared with SKr385.9m for the same period of 1988. Brokering activities grew 29 per cent to SKr123.5m.

Drugs division helps boost Procordia

By Robert Taylor

PROCORDIA, the Swedish state-controlled holding company, saw profits after financial items increase by just over a quarter in the first four months of the year to SKr570m ($54.5m) compared with SKr443m for the same period of 1988.

Group sales rose from SKr5.39bn to SKr6.26bn, a jump of 16 per cent.

The group expects full-year profits for 1989 to be better than last year, which totalled SKr1.96bn after financial items then.

Procordia's pharmaceuticals division has done particularly well. Its operating profits rose from SKr169m to SKr255m for the four months, while sales shot up from SKr953m to SKr1.37bn.

There was also a good performance in consumer goods, where operating profits improved from SKr238m to SKr3bn and sales increased from SKr2.2bn to SKr2.65bn.

However, the group's services division recorded a further loss in the January-April period of SKr13m compared with a deficit of SKr6m, mainly due to a continuing deterioration in its hotels business where losses increased from SKr16m to SKr18m.

Belgian shipping group up

COMPAGNIE Maritime Belge, the Belgian shipping group, expects higher profits this year.

Only really unfortunate circumstances could prevent the current year's results from being better than those of last year, said president Mr Pierre Plurs yesterday, reports AP-DJ.

CMB, which is 48 per cent owned by SociétéGénérale de Belgique, operates a fleet of some 80 ships.

Its net profit totalled BFr2bn ($48m) in 1988, up from BFr533m a year earlier.

The company paid a dividend of BFr639 a share in 1988, against BFr426 the previous year.

Swedish cosmetics group advances

By John Ridding

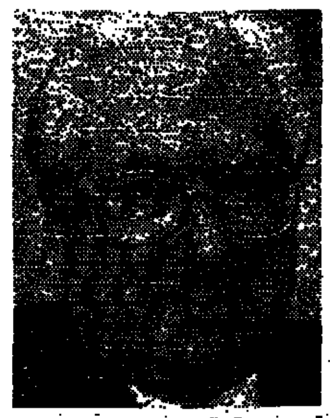
ORIFLAME International, a Swedish cosmetics and jewellery company listed in London, reports profits before tax and "unusual items" up 9 per cent to £9.78m ($15.3m) for the year ended March 1989.

The unusual items – a £3.4m credit, against £17.2m last year, on disposals – are taken above the line under international accounting standards, which the company uses. Turnover fell from £98.4m to £66.3m, largely as a result of the disposals. Earnings per share, excluding unusual items, rose 7 per cent to 17.3p. A total dividend of 10p a share is to be paid.

INTERNATIONAL COMPANIES AND FINANCE

Merger fails to separate horse from jockey

Chris Sherwell examines the A$1.1bn deal hammered out between Pat Goodman (left) and Sir Ron Brierley (right)



It is complex, and it came as a surprise. But yesterday's A$1.1bn (US$826.8m) merger involving Industrial Equity (IEL), Sir Ron Brierley's Australian investment company, and the Goodman Fielder Wattie food giant could remove some of the uncertainty which has recently been hanging over the groups.

Sir Ron has twice abandoned the idea of merging Brierley Investments (BIL), his New Zealand master company, with its 52 per cent owned IEL. At the same time IEL's acquisition last year of the Woolworths retail group in Australia meant it was no longer principally an investment holding company.

The uncertainty over Goodman Fielder, which is the product of numerous mergers over the past three years, springs from its abandonment of a £1.7bn (US$2.7bn) takeover bid for Ranks Hovis McDougall (RHM) of the UK last year, and its recent successful fight against a £1.3bn counter-bid from RHM. Goodman Fielder has sold its RHM stake, but RHM retains a strategic 15 per cent holding in Goodman which is now on the market.

Yesterday's deal involving the two companies will take at least three months to consummate, and obviously has a few hurdles to leap. But analysts' initial attention was focused on the detailed terms, in an endeavour to establish which party might be the horse and which the rider is what is being billed as a "partnership."

Under the plan, announced simultaneously in Sydney and Wellington:

- Goodman Fielder has already acquired 14.9 per cent of IEL for A$2.40 per share and agreed to purchase a further 5 per cent holding at the same price, subject to approval from the authorities.

The A$2.40 price is well above Tuesday's closing price of A$1.87 and the 1989 high of A$1.92, and this part of the acquisition involves an outlay of A$374m.

- Goodman will make a takeover offer to acquire all IEL's remaining shares. The offer will be A$2.40 plus one Goodman Fielder share for every two IEL shares, and will involve the issue of 312m shares by Goodman. The total cash outlay will be A$1.12bn.

BIL has undertaken to accept the offer, and for its 52 per cent shareholding it will receive another A$298m and 124m Goodman Fielder shares, equivalent to 9.6 per cent of Goodman's enlarged capital. It will also get two seats on the Goodman Fielder board. RHM's holding will be diluted to around 10 per cent.

- BIL will buy IEL's Woolworths subsidiary for A$1.1bn, an amount equivalent to book value plus A$150m, when the acquisition becomes unconditional. That will give BIL full direct control of the retail group, which is unrelated to the US or British Woolworth chains.

Goodman said the acquisition of IEL "will not significantly alter Goodman's fundamental direction." IEL's food interests would strengthen the group's earnings base and put three quarters of its assets in food products, it added.

Amplifying this last night, Mr Pat Goodman, chairman of Goodman Fielder, said the company found particularly attractive IEL's 67 per cent owned Southern Farmers group, which makes, packages and distributes food products in South Australia, and the salt manufacturing interests of IEL's 76 per cent owned Acmex Holdings, which also manufactures packaging products.

Just as important, he made it clear that Goodman would gain significantly from a divestment of IEL's other assets — in particular its share portfolio, but also its 74 per cent interest in Australian Oil and Gas Corporation, which has 32 per cent of Australian Gas Light Company and various pipeline interests, and companies involved in auctioneering, funeral services, hotel management and life assurance.

As for the resignation of Mr Duncan McDonald as managing director of Goodman Fielder after three years, Mr Goodman played this down, insisting that it was to do with decentralisation of the larger group rather than the IEL deal itself. Mr Goodman is now executive chairman of the group, and he acknowledged there would be a role for Mr Rod Price, chief executive of IEL.

Quite what this will mean in practice is unclear. Mr Goodman said IEL would retain an identity but not remain as it is now. Sir Ron, on the other hand, was adamant that IEL would be an independent force, despite being wholly owned by Goodman and delisted from the stock exchange. Mr Price himself said Goodman Fielder would have a "tiger by the tail."

Sir Ron also made it plain that this arrangement, together with his own and Mr Bruce Hancox's presence on the Goodman Fielder board, would make Goodman more aggressive and enlarge its overseas aspirations. A larger BIL stake in Goodman is possible, perhaps through buying RHM's diluted 10 per cent holding.

The benefits to BIL, Sir Ron said, were a simplified corporate structure, an end to the conflict for investors trying to choose between BIL and IEL, fewer problems in allocating resources for investment, and a heightened role for BIL.

Although the effect was an increased cash investment in Australia of some A$400m, he pointed out that Woolworths was essentially ungeared, whereas IEL has a net debt-to-equity ratio of 0.75:1. Profit from Australia would meanwhile come from recurrent, cash-generating operations instead of being split between these and entrepreneurial investment activities.

Fresh capital for NZ's biggest loss-maker

Bank of New Zealand's rescue represents a partial privatisation reports Andrew Pirie

A disastrous move into corporate banking was the primary reason why the state-controlled Bank of New Zealand (BNZ), the country's largest financial institution, slid into an annual net loss of NZ$648.8m (US$374.6m).

The loss, the worst ever by a New Zealand company, prompted the Government this week to agree to a NZ$600m rescue package designed to shore up the bank's depleted reserves and bring it into line with international capital adequacy standards.

Half the capital injection will come from Capital Markets, a company headed by Mr Michael Fay, a New Zealand financier better known for his America's Cup yachting exploits. Mr Fay is currently embroiled in a legal battle to wrest the cup from the San Diego yacht club.

The loss was caused by a NZ$1.29bn provision for bad and doubtful debts. In the previous year to March provisions totalled just NZ$206m and the bank posted an overall profit of NZ$199m.

While a large loss had been signalled several months ago, the final figure was double the most pessimistic of market predictions. Analysts were debating yesterday whether the bank, accused for more than a year of not coming clean about its troubled loan portfolio, had now taken too harsh a line in its assessment of debts.

Mr Frank Pearson, chairman, said the bank needed to take a conservative approach to regain public confidence.

Since the 1987 stock market crash, BNZ has been rocked by a series of exposures to Australasia's most spectacular corporate collapses. Though the bank has refused to quantify individual exposures on grounds of commercial confidentiality, it is believed to have lent hundreds of millions of dollars to entrepreneurs such as Mr Bruce Judge of Ariadne Australia and Equiticorp's Mr Allan Hawkins.

While the raft of failures following the crash brought BNZ's loan problems to the fore, they had their genesis three years earlier when the Government relaxed financial sector regulations. BNZ, which already held a commanding 40 per cent slice of the personal banking sector, aggressively pursued new corporate clients, forming a rapidly growing investment banking division.

Mr Pearson has acknowledged this was a "core strategic error" as the bank lacked sufficient management and investment banking skills after

Bank of New Zealand

operating for years as a virtual government department. BNZ soon gained a reputation as a virtual lender of last resort, funding deals which other banks had shunned.

The price for such a high-risk strategy began to be paid last year. A boardroom and management purge ensued.

Mr Lindsay Pyne, the new chief executive, appears to have been pivotal in the arrival of Mr Fay's Capital Markets on the BNZ share register. Mr Pyne was previously chief executive of Postbank, another government bank sold earlier this year to ANZ Bank. At Postbank Mr Pyne had as his chairman Mr Robin Congreve, a Capital Markets director — who along with Mr Fay now joins the BNZ board.

Fay Richwhite, the privately held merchant bank which controls Capital Markets, was in the running to buy Postbank until ANZ won out.

The NZ$300m to be injected into BNZ is a huge step for Capital Markets, which is of modest size even by New Zealand standards. It showed a NZ$34m profit in the year to March, with shareholders' funds of just NZ$155m and total assets of NZ$204m. However, the company is very liquid, with all but NZ$35m of its assets in cash or securities.

Capital Markets said the purchase would initially be funded from existing cash and credit lines. Analysts agreed that Capital Markets was picking up its 29 per cent shareholding at a bargain price. Rather than paying a premium for such a strategic stake, the 70 cent level at which it is being allotted part of a seven-for-10 BNZ rights issue compares with a market price of NZ$1 before the announcement. Shares in BNZ rallied 7 cents yesterday to 85 cents.

Brierley Investments (BIL), a previous suitor for BNZ, echoed the analysts' view. Mr Paul Collins, chief executive, said his company would have paid more if offered the same deal by the Government.

BIL and National Australia Bank failed in recent months to buy their Government's 84 per cent BNZ shareholding after the sale process was halted by opponents within the ruling Labour Party.

This week's moves, however, represent a partial privatisation. The Government, anxious not to increase its investment because of budgetary constraints, sees its stake diluted to some 53 per cent.

Mr David Caygill, Finance Minister, said its remaining stake was not on the market "at this stage." Mr Fay also said Capital Markets did not want full ownership.

INTERNATIONAL COMPANIES AND FINANCE

McDermott cuts losses and expects further rise

By James Buchan in New York

MCDERMOTT International, the New Orleans engineering group struggling with a depressed market for new offshore platforms and marine pipelines, reported a sharp fall in its losses for the March quarter and said it hoped for further improvement.

McDermott's Babcock & Wilcox boilermaking business is in profit. McDermott said that its loss from continuing operations in the company's final quarter to March fell from \$24.4m to \$19.7m, halving the year's loss.

Revenues rose 18 per cent to \$750.7m for the quarter, giving an overall advance of 3 per cent for the year to \$2.42bn.

Mr Robert Howson, chairman, said: "Despite another operating loss in fiscal 1989, our financial performance improved over the previous fiscal year, and I am confident that this improving trend will continue into fiscal 1990."

Bond to shed 10% stakes in coal concerns

BELL RESOURCES, controlled by Mr Alan Bond's Bond Corporation Holdings, yesterday announced an agreement to sell its 10 per cent stakes in Central Queensland Coal Associates (CQCA) and Gregory Joint Venture for A\$300m (US\$225.5m), Agencies report from Perth.

It said the buyer had requested confidentiality but was unrelated to Bell. The group declined to comment on reports that the purchaser might be a Taiwanese group.

The sale is subject to government approval and pre-emptive rights held by Bell's partners in the coal concerns. It described the price as "a small excess over book cost."

Under a reorganisation plan for the Bond group, Bell Resources is intended to sell all its existing interests and take over the Bond brewing business.

Bond Corporation controls 58 per cent of Bell Resources.

TW Services accepts \$1.6bn bid

By Anatole Kaletsky in New York

TW SERVICES, the US restaurant, contract catering and food distribution company created three years ago after the break-up of Trans World Airways, yesterday agreed to an improved \$1.6bn bid from Coniston Partners, ending a takeover battle that began in October last year.

Coniston, a New York investment partnership, agreed to pay \$34 a share for TW Services, a 17 per cent improvement on its initial offer of \$29.

TW's board accepted the sweetened offer after spending several months with its investment bankers seeking better financial alternatives to Coniston's original bid. TW apparently failed to come up with either a white knight or a leveraged buyout proposal to beat Coniston's higher offer.

Under the agreement Coniston will pay \$34 a share in cash for 80 per cent of TW. Holders of the remaining 20 per cent will be offered a choice between \$34 in cash and \$30 cash plus one common share in a reconstituted company. Since Coniston owns about 19 per cent of TW, the cash and stock alternative is unlikely to be relevant to TW's other holders.

For Coniston, a group which had specialised in taking large positions in public companies and pressuring managements to improve shareholder values, the TW takeover represents a new departure.

The group has never run a major company, although it stated from the start of the TW takeover battle that this was a business it "very much wanted to own." TW's best-known businesses are the Denny's, Hardee's and El Pollo Locco restaurant chains.

Coniston rose to prominence on Wall Street two years ago when it played the key catalytic role in the break-up of Allegis, the travel industry conglomerate formed by United Airlines' former management.

The group lost some of its lustre last year when it lost a proxy fight against Gillette, the shaving products company, leading to large losses among arbitrageurs who had backed its bid.

As a result, there were doubts about its credibility when it launched TW Services. Yesterday's deal with TW will have gone a long way to restoring Coniston's reputation as one of Wall Street leading takeover and arbitrage specialists.

Goodyear sells off S African operations

By Jim Jones in Johannesburg

GOODYEAR, the US tyre company, has divested from South Africa, citing US sanctions, poor profit prospects and double taxation for its decision.

In Akron, Ohio, yesterday Mr Tom Barrett, Goodyear's chairman, said his company had been a good corporate citizen and had spent about \$10m on black education and welfare in terms of its Sullivan Code commitments in recent years.

"However, with the prospect of ever-diminishing returns on our South African investment, our responsibility to our stockholders must take precedence," he added.

The company's wholly-owned manufacturing interests have been sold to Consol, a subsidiary of the Anglovaal mining and industrial group, for R178m (about \$42.5m at the present financial rand exchange rate).

Firestone and General Tire, two other US tyre makers, sold out to local interests some years ago and Dunlop now remains the only foreign-owned tyre company.

Goodyear has traded in South Africa since 1913 and established its manufacturing plant in the eastern Cape city of Uitenhage in 1947.

Its sale to Consol was contingent upon the US parent agreeing to continue providing technical advice and service for an unspecified time.

Technical agreements are generally crucial in persuading South Africans to buy divesting companies' interests, but they have become a target for pro-sanctions anti-apartheid groups in the US.

The Goodyear divestment appears to have taken Numsa (National Union of Metalworkers of South Africa), the group's principal union, by surprise.

Union officials were first told of the divestment yesterday morning and had no immediate response. Last month, in an apparent change of stance, Numsa appealed to BTR-Dunlop not to divest but to persuade local management to change employment practices at the British company's South African plants.

REMBRANDT, the South African industrial group, showed a 32.6 per cent increase in net profits in the year to March to R600.9m (\$217m) from R453m, AP-DJ reports from Johannesburg.

It said comparative figures had been restated as a result of the transfer of overseas assets to Compagnie Financière Richemont, based in Switzerland. The contribution those assets made to net income amounted to R287.6m.

A final dividend of 12.5 cents brings the total payout to 20 cents, up from 17 cents.

Veba seeks UK electricity participation

By Haig Simonian in Frankfurt

CLOSER co-operation with the privatised UK electricity industry will be one of the topics of a visit to the UK next week by Mr Rudolf von Bennigsen Foerder, chief executive of Veba, the acquisitive West German energy and chemicals group.

Speaking in a West German television programme to be broadcast this weekend, Mr von Bennigsen confirmed the UK had offered to reprocess German nuclear fuel more cheaply than Cogema, the French nuclear fuels group, following the German decision to cancel the planned nuclear reprocessing plant at Wackersdorf in Bavaria. "The UK price is a bit cheaper than the French," he said.

Mr von Bennigsen did not elaborate on what projects he would be discussing in the UK. However, Veba has expressed interest in taking a stake in the UK electricity industry once it is privatised.

While co-operative arrangements are at the forefront, Mr von Bennigsen did not rule out the possibility of an equity stake in the UK electricity business. Asked about the size, he implied that any holding would have to be well over 5 per cent to make sense.

Mr von Bennigsen has been highly reluctant to discuss the detailed circumstances in which Veba entered into talks with Cogema on reprocessing greater quantities of German nuclear fuel in the late 1990s - a step which plunged the Bonn Government into a crisis on its nuclear strategy. However, he admitted the matter "could have been better managed," although "the problem was not on our (Veba's) side."

Mr von Bennigsen confirmed Veba's commitment to expansion following its decision in May to take a 46 per cent stake in Feldmühle Nobel, the diversified industrial group. However, he repeated that Veba had still not decided if or when to buy out the remaining Feldmühle shareholders.

The stake represented a "friendly takeover," he said, and he was critical of Mr Wolfgang Kartte, the head of the West German cartel office, for the "tone" of a recent paper criticising the current trend towards conglomeration in industry at the expense of monoply supervision.

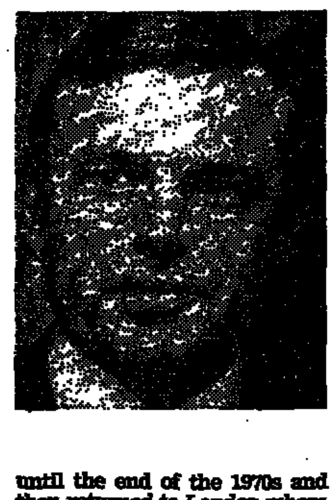
INTERNATIONAL APPOINTMENTS

Former Jardine taipan returns to be non-executive chairman

By John Elliott and Michael Marray in Hong Kong

MR SIMON KESWICK, the former taipan of Jardine Matheson, a leading Hong Kong property, retailing and trading group, is handing over to his elder brother, Mr Henry Keswick – taipan in the 1970s – the non-executive chairmanship of both Jardine Matheson Holdings and its sister company Jardine Strategic.

These are the two principal companies in the Hong Kong-based Jardine group and are registered in Bermuda.



Mr Simon Keswick (right), handed over the taipan – or managing director – role in Jardine Matheson to Mr Brian Powers last June. In November Mr Powers announced his resignation and Mr Nigel Rich took over at the beginning of this year.

Mr Henry Keswick worked in Hong Kong as the taipan until the end of the 1970s and then returned to London where he has continued to be regarded as the major influence in the family controlled group.

Announcing the changes at the annual meeting of Jardine Matheson yesterday Mr Simon Keswick said he would remain on the boards of the two companies.

* * *

KIDDER, PEABODY, the US investment bank, has named Mr B.J. Megargel as managing director and head of mergers and acquisitions.

Mr Megargel, 35, was managing director and head of international mergers and acquisitions for Shearson Lehman Hutton, the securities house.

* * *

MERRILL LYNCH, the securities house, said Mr Courtney Jones, executive vice president and chief financial officer and a member of the board of directors, will leave those posts to become a managing director in the investment banking division.

Mr Jones, 49, joined Merrill Lynch in 1985 after a 23 years with General Motors.

Mr Jones will serve as chief financial officer until a successor is named. In his new post he will be responsible for providing strategic advice to selected corporate clients.

* * *

AUSIMONT NV, the chemicals subsidiary of Italy's Montedison group, has named Mr Alberto Ferrari as chairman and Mr Howard Harris as president.

Mr Ferrari, formerly chairman of Montedison USA, replaces Mr Filippo Lombardo, who has left the company.

Mr Harris, formerly chief operating officer and executive vice president of Ausimont, replaces Mr Leonard Rosenblatt, who has resigned.

* * *

ST LAWRENCE Cement, the Canadian arm of the Swiss-based Holderbank Group, has named Mr Frank de Witt president and chief executive.

Mr de Witt, previously executive vice president, succeeds Mr Walter Penny, who is retiring after 34 years with the company.

Mr Penny, who will remain a director, has overseen extensive expansion of the company in Canada and the north-eastern US over the past decade.

* * *

MIM, a leading Australian based metals and coal mining concern, has appointed Mr Douglas Birch corporate industrial relations consultant.

Mr Birch retired last year as senior commissioner of Queensland's Industrial Commission. At MIM, he will succeed Mr Wally Dearlove, who will retire later this year.

INTERNATIONAL CAPITAL MARKETS

Well-priced World Bank deal catches traders' eye

By Andrew Freeman

A $300m 15-year deal for the World Bank caught traders' attention on the Euromarkets yesterday. The issue's fine reception was taken as a signal that there are still good pockets of demand for well-priced dollar bonds.

The bonds were offered by Deutsche Bank Capital Markets with a 9 per cent coupon and were priced at 102⅛ to yield some 46 basis points over Treasuries. The deal met instant demand and was quoted by the lead manager at less 1.85 bid, well inside underwriting commissions of 2⅛ per cent.

At that level, the spread against Treasuries was about 41 basis points.

There was some comment that after a fast start the deal failed to match the afternoon rally on the Treasury market. However, this was consistent with the lead manager's claim that it had identified specific investors interested in the 15-year maturity, and that once those investors had bought the bonds there was a limited market.

A $150m zero coupon 10-year issue for the Victorian Public Authorities Finance Agency was brought by Salomon Brothers. The bonds were priced at 42.22, and were quickly sold out. The lead manager was quoting the paper at less 1 bid, inside underwriting fees of 1¼ per cent. Demand

INTERNATIONAL BONDS

was mainly from the UK and Europe.

Salomon Brothers was also the lead manager of a £250m mortgage backed issue for TMC PIMBS plc, a vehicle for The Mortgage Corporation's Programme for the Issuance of Mortgage-Backed Securities. The deal was the first tranche of a possible £3bn programme announced by TMC using a structure which contained a number of new features.

Yesterday's deal was a standard mortgage-backed security which came with a coupon of 18 basis points over three-month Libor and an expected average life of seven years. The par-priced bonds were trading inside fees at around 99.86 bid after good demand from the UK and some European institutions.

There will be substitution for three years and pool insurance.

TMC launched the deal via a novel dealer structure, using a group of five houses each taking much larger tranches than are normal in Euromarket transactions. There was some comment that as well as improving the secondary market potential of the issue this allows the company, which is owned by Salomon Brothers, to forge wider relationships with other finance houses.

TMC's programme allows for nine different issue structures and credit enhancements, so that subsequent issues can be separately priced and tailored for specific demand. For example, an investor wanting a specific average life could be offered a private placement with the necessary terms.

Crédit Lyonnais was the bookrunner of a FFr1bn 10-year deal for Manufacture Francaise des Pneumatiques Michelin. The issue was later increased to FFr1.2bn after strong demand from institutions throughout Europe.

The bonds were launched at a spread of 50 basis points over French government bonds, and were quoted by Crédit Lyonnais at less 1.90 bid, falling to less 1.95 bid after the increase, but still inside fees of 2 per cent.

In Germany, prices were around ¼ point higher, with selected issues rising by ½ point. Turnover improved amid some short covering, but tailed off in the afternoon.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
World Bank(b)◆	300	9	102⅛	2004	2⅛/1½	Deutsche Bank Cap.Mkts
Victorian Public Auth.Fin.◆	150	Zero	42.22	1999	1¼/¾	Salomon Brothers
Lasmo Plc◆	100	10	103¼	1994	1⅞/1¼	CSFB
Silicon Graphics(c)§◆	50	8	100	2004	2½/1½	Morgan Stanley Int.
STERLING						
TMC PIMBS Plc(d)‡◆	250	18bp	100	2030	25/15bp	Salomon Brothers
EIB(e)◆	100	9½	91¾	2009	n/a	BZW
ECUs						
Arbed SA§	65	(5¼/5¾)	100	1999	2½/1½	Morgan Stanley Int.
D-MARKS						
Deutsche Finance Neth.(b)◆	1bn	7	101	1994	1¼	Deutsche Bank
FRENCH FRANCS						
Mn.F'caise d'Pneu.Michelin◆	1.2bn	9⅛	101½	1999	2/1¼	Credit Lyonnais
SWISS FRANCS						
Wakita & Co.★★♦	30	(1⅝)	100	1994	1⅝	Swiss Volksbank
Korakuen Co.(a)★★§◆	150	Zero	100	1993	n/a	Credit Suisse

★★Private placement. ♦With equity warrants. §Convertible. ‡Floating rate notes. ◆Final terms. a) Yield to put fixed at 3.001%. b) Non-callable. c) Coupon indicated at 7½-8%. d) 18bp over 3-month Libor, rising to 60bp after 10 years. Average life 7 years. e) Fungible with bond launched November 1988.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on June 7

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alberta 9¼ 95	600	101¼	102⅛	+0⅛	+1¼	8.93
Austria 9⅝ 93	140	101⅞	102⅜	+0⅛	+1⅝	8.92
B.F.C.E. 7 92	150	†94⅞	95¼	+0⅛	+1	9.07
B.F.C.E. 9¼ 95	150	101	101⅛	0	+1½	8.99
Brit. Tel. Fin. 9⅛ 98	250	†102	102½	0	+1¾	9.00
BP America 9¾ 99	250	†102⅞	103⅜	0	+1⅛	9.24
Canada 9 96	1000	†101⅝	102⅛	0	+1½	8.61
Canadian Pac 10¼ 93	100	†100⅝	102⅛	-0½	-0⅞	10.31
C.C.C.E 9¼ 95	300	101⅛	101⅝	0	+1½	8.92
C.N.C.A 9⅞ 93	150	101⅛	101½	0	+1¼	6.03
Credit National 8¼ 93	200	97⅛	97¾	0	+1¼	9.03
Credit National 7¾ 92	100	95⅞	96¼	0	+1⅛	9.00
Credit National 9½ 92	160	†102	102½	0	+1⅛	8.70
Dai-Ichi Kan 9⅞ 92	150	101	101½	0	+1⅛	9.14
Denmark 7⅛ 92	500	95¼	95½	-0⅛	+1⅛	9.13
E.E.C. 7 91	100	95½	96	+0⅛	+1	8.94
E.E.C. 7¼ 93	250	†94⅝	95	0	+1¼	8.94
E.E.C. 10 93	140	103⅞	103⅜	+0⅛	+1½	8.86
E.I.B. 7⅛ 93	100	94⅞	95¼	+0⅛	+1¼	8.96
E.I.B. 9⅝ 97	150	†102⅞	103⅛	+0¼	+2⅛	8.86
Eurofima 10⅛ 93	100	†103¼	104¼	0	+1	8.89
Elec.De France 9 98	200	100⅛	100⅝	+0⅛	+1⅞	8.93
Elec. De France 9½ 99	200	103	103⅛	0	+2	8.99
Finland 7⅞ 97	200	†94⅛	94⅝	0	+1⅝	8.91
Finn.Exp.Cd. 8½ 92	200	†98⅛	98⅝	-0⅛	+0⅞	9.16
Finn. Exp. Cd. 9⅞ 95	200	101⅛	101⅝	0	+1⅝	9.06
Ford Motor Credit 8 91	250	*97¼	97¾	0	+0⅝	9.71
Gen.Elec.Cap.Corp. 9 93	500	*98⅛	98½	0	+0⅝	9.40
Gen.Elec.Cap.Crp.10 1/2 91	300	†102⅛	102½	0	+0½	9.03
Gen. Mtrs.Corp. 9⅛ 92	200	†99⅝	100⅛	+0⅛	+1¼	9.16
IBM Credit Corp. 8⅞ 91	250	99⅝	100⅛	+0⅛	+1	8.89
IBM Credit Corp. 9½ 92	250	101¼	101¾	0	+0⅞	8.82
IBM Credit Corp. 10 92	200	102¾	103¼	0	+1	8.78
Italy 9½ 95	1000	†102	102½	0	+1⅝	9.00
Italy 9⅝ 99	1000	†103⅛	103⅞	+0⅛	+1¾	9.04
Japan Dev. Bank 10 96	200	105	105½	+0⅛	+1⅝	8.95
L.T.C.B.of Japan 9¼ 92	200	100⅛	100⅝	0	+1⅝	9.08
Metropolis Tokyo 9½ 93	200	102	102⅜	0	+1⅛	8.75
Nippon Tel.&Tel. 9⅜ 98	250	102⅛	102⅝	0	+1⅝	8.98
Norway 8⅞ 93	500	99⅛	99⅝	-0⅛	+1¼	8.93
Portugal 8½ 91	300	†97½	98	0	+0½	9.64
Prudential Crp. 8⅞ 94	125	†100⅛	100⅝	+0⅛	+1⅝	8.65
State Bk S Aust 9¼ 93	100	*†99¼	99¾	0	+0⅛	9.47
Sumitomo Bank 9⅝ 92	150	†100⅞	101⅜	-0⅛	+1⅛	9.18
Sweden 7 91	250	†95⅝	96⅛	0	+0⅞	9.00
Sweden 8¾ 96	200	99	99½	0	+1⅝	8.89
Sweden 8½ 92	200	*†97½	97⅞	0	+0⅛	9.42
Toyota 9½ 91	200	100⅝	101⅛	-0⅛	+1⅝	9.05
Victorian Rep 11⅝ 92	150	†105⅞	106⅛	+0⅛	+0⅞	9.21
World Bank 7 92	300	†95⅜	95⅞	0	+1	8.90
World Bank 9 97	300	100⅜	100⅞	+0⅛	+1⅞	8.90
World Bank 9 93	300	100⅜	100¾	-0⅛	+1⅛	8.80
World Bank 9¼ 98	300	101⅞	102¼	+0⅛	+1⅞	8.91
World Bank 9⅝ 99	500	104¼	104⅝	0	+1⅞	8.92
World Bank 9⅞ 96	300	103⅞	104¼	+0⅛	+1¾	0.76

Average price change... On day +0 on week +1¼

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	94⅞	95⅜	0	+0½	7.11
Austria 6⅞ 99	750	97¼	98⅛	+0¼	+0⅞	7.05
Bank of Tokyo 5⅞ 93	100	96	96½	-0¼	+1	6.91
Commerzbank o/s. 5⅞ 93	300	94⅛	94⅞	+0⅛	+0⅛	7.11
Credit Foncier 6⅞ 99	500	97¼	97⅞	+0⅛	+0⅝	8.08
Degussa Int. 6⅛ 97	200	93⅝	94⅛	+0¼	+1¼	7.12
E.I.B 5½ 98	150	89	89⅝	0	+0⅝	7.15
E.I.B. 6¼ 99	600	93⅞	94½	+0⅜	+0⅜	7.10
E.I.B. 6⅛ 96	300	95	95⅝	+0⅛	+1⅛	6.97
E.I.B. 6½ 99	300	95⅞	96⅝	+0½	+1	7.04
E.I.B. 6⅞ 95	300	100¼	101⅛	+0¼	+1⅝	6.74
Euro.Coal& Steel 5⅞ 97	175	92⅝	93⅛	+0⅛	+0⅛	7.08
Eurofima 6¼ 96	100	95	95⅝	0	+0⅝	7.11
Elec De France 5⅞ 97	300	91⅞	92⅝	0	+2⅛	7.05
Forsmark Krtg. 5⅞ 93	200	93⅛	93⅞	-0⅛	+0⅝	7.16
Hydro-Quebec 6⅞ 99	300	97⅝	97⅞	+0⅛	+1	7.07
Japan Dev. Bk. 5⅞ 95	300	91½	92¼	-0⅛	+0⅞	7.11
Japan Finance 5⅞ 97	100	91⅞	92⅝	+0⅛	+0½	7.08
Ireland 6½ 97	900	94½	95	+0⅛	+0⅛	7.40
Malaysia 6¼ 94	150	95⅝	96⅛	0	0	7.22
Nat. West BK. PLC 6 98	300	92	92⅞	+0⅛	+0⅞	7.19
N.H.L. Finance 6¼ 95	200	†93¼	93¾	0	0	7.55
Nippon Telg.&Tel. 6 95	400	95⅝	96⅛	0	-0⅛	6.38
Oesters. Kontbk. 5 93	300	94⅝	95⅛	+0⅛	0	6.57
Portugal 5⅞ 92	150	95½	96⅛	0	-0⅛	7.25
Portugal 6⅝ 95	150	97⅝	98⅛	+0¼	0	7.03
Privatbanken 5¼ 93	150	93⅛	93⅞	0	+0⅝	7.29
Royal Insurance 5½ 92	300	96¼	96⅞	+0¼	+0½	6.89
Soc Cent Nuclear 7⅛ 95	150	98⅞	99⅜	0	-0⅛	7.40
Turkey 6½ 95	500	93¼	94½	0	0	7.77
Union Bk Finland 5½ 94	200	93⅜	94⅛	0	-0⅛	7.06
Westlb. Finance 5 93	200	†92⅞	93⅛	+0⅛	+0⅛	7.15
World BK. 6¼ 97	600	95⅞	96	+0⅛	+1	7.31

Average price change... On day +0⅛ on week +0⅝

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5 96	150	†94½	95½	+0⅛	+2½	5.87
Asfinag 5 03	100	†90	90¼	0	0	6.05
B.F.C.E. 4½ 98	200	†90	90¼	-0½	+0⅝	5.93
B.M.W.Fin.Neth. 5 13	150	†87½	87¾	0	+1⅞	5.99
Britannia B/S. 4⅞ 94	100	†92	93	+0½	+2⅞	6.03
CIR. Int. W/W 3 93	125	†89	89¼	+1	+1	6.06
Credit Lyonnais 4⅞ 00	100	†87⅞	88	+0⅛	+2⅞	6.31
E.I.B 4⅝ 98	150	†90⅛	91¼	+1	+1¼	5.94
Fletcher Chall. 4⅞ 98	150	†88½	89½	0	+0¼	6.55
Kobe City 4⅝ 98	150	†91	92½	0	+1½	5.82
Leeds Perm. B/S. 4⅞ 93	200	†93½	94	+1⅛	+2⅞	5.98
Malaysia 5⅛ 98	100	†93	94	+2	+7¼	6.20
Maxwell Comm.Crp. 5 95	150	†85¼	86	+0¼	+1⅞	8.05
Nat. Bk. Hungary 5½ 94	75	†95¼	95½	+0⅞	+0⅝	6.51
Nationwide Ang.B/S. 4 93	200	†90½	92	+0⅛	+0¼	6.54
Nippon Telg.&Tel.4⅛ 95	200	†94	95	0	+2⅛	5.31
Oesters.Ktbk. 5 03	75	†90	92	0	+0½	5.96
Prov. Newfoundland 5 03	150	†91	92	0	+1½	5.88
Thailand 4⅝ 95	200	†90	92	+0½	0	6.45
World Bank 5 03	150	†93	94	+1	+4½	5.68

Average price change... On day +0½ on week +1⅞

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅛ 91	80	101¼	101½	0	0	5.24
Canada 5⅝ 93	80	101⅝	101⅞	0	0	5.14
Eurofima 5 1995	20	98¾	99¼	0	-0⅛	5.20
E.I.B. 4⅞ 93	30	98⅛	98⅝	+0⅛	0	5.24
Ireland 5⅛ 93	30	99⅞	100⅛	0	0	5.12
Norway 5⅛ 95	50	99⅞	100⅛	0	-0⅛	5.12
Sweden 4⅞ 93	50	97⅞	98¼	-0¼	+0¼	5.20
World Bank 5⅛ 98	10	98⅝	99⅛	-0⅛	-0⅛	5.29
World Bank 7 94	20	107⅞	107⅞	0	0	5.19

Average price change... On day 0 on week 0

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat.BS.10⅛ 93 £	50	93	93⅜	+0⅛	-0⅞	12.66
Abbey Nat. 11⅝ 95 £	100	97	97½	+0¼	-0⅞	12.29
Alg. Bk. Ned. 5½ 92 FL	150	94⅝	95⅛	0	+0⅞	7.66
Alg. Bk. Ned. 5¾ 93 FL	200	93⅞	94⅛	0	+0⅜	7.59
Austria 7½ 94 ECU	100	95½	96	+0⅛	+0⅝	8.61
Bk.Nova Scot.14⅛ 90 A$	75	95	96	0	0	17.90
Barclays Aus.13½ 91 A$	100	94⅞	95⅛	0	-0⅛	16.16
Belgium 8⅛ 94 Ecu	150	97⅝	98¼	0	+0¼	8.67
BP Capital 9¾ 93 £	100	92⅜	92⅞	+0¼	-0½	12.24
British Airways 10 98 £	100	89	89½	+0⅛	-1½	12.03
Bahrmann-Tst. 6⅛ 93 FL	100	94⅞	95⅛	0	+0½	7.84
Comm. Bk Aust. 12⅝ 93A$	100	†93	93½	+0½	+1	14.99
Coop.Ctr.Rabo.6¼ 93 FL	100	96⅞	97⅜	0	+0¼	7.16
CrLocalFrance 9¼ 92Ecu	100	101⅛	101½	0	0	8.75
Dent. Bk.Aus. 13⅞ 93 A$	125	93½	94⅛	+0⅛	+0⅛	15.32
Deutsche Bk.Fin. 15 94 A$	100	101½	102	+0⅛	+0⅝	14.45
Eastman Kodak 13 90 A$	100	95⅛	95⅝	0	+0⅛	17.49
E.I.B. 7 96 LFr	100	96½	97½	-0¼	-0¼	7.58
E.I.B. 9 99 Ecu	150	100½	101	+0⅛	+0½	8.88
Eurofima 7⅝ 94 Ecu	100	95½	96	0	+0¼	8.76
Export Dv.Crp.8⅞ 92Ecu	100	99¾	100¼	0	+0⅛	8.74
Fed.Bus.Dv.Bk.9⅞ 92 C$	75	†98½	99	0	+1½	10.25
Fed. Bus. Dv. Bk.10½ 93C$	50	100⅝	100⅞	-0⅛	+1⅛	10.33
Ferrv. Stato 7⅞ 93 Ecu	100	96⅛	96⅝	+0⅛	+0⅜	8.87
Ford Cr.Can.10⅞ 93 C$	100	†100½	101	0	+1½	10.45
Ford Cred.Can.10⅞ 96C$	125	102	102½	0	+1⅞	10.37
Ford Mtr.Cred.7⅞ 93Ecu	100	96⅛	96⅝	+0⅛	+0⅛	9.01
G.M.A.C. 9¼ 93 C$	150	†97¼	97¾	0	+1⅜	10.55
Hydro-Quebec 11 99 C$	400	104	104¼	0	+1⅝	10.29
Lloyds Bank 10¼ 98 £	150	90¼	90¾	+0¼	-1⅞	12.04
Lloyds Bank 11⅞ 98 £	100	93⅝	94⅛	+0¼	-1⅝	12.48
Montreal Tst.10¼ 93 C$	100	†98¾	99¼	0	+0¼	11.05
Morgan Guar.Tst. 11 91 C$	150	100⅜	100¾	0	+1¼	10.55
Nat. Aus. Bk. 14⅛ 94A$	100	98⅝	99⅛	+0¼	+1	15.03
New Zealand 9½ 93 £	100	91⅜	91⅞	+0¼	-0⅜	12.32
Phillips Gleoil. 6 93 FL	300	94	94½	-0¼	+0⅛	7.66
Privatbanken 7½ 94 LFr	500	97⅞	98⅜	0	0	7.91
Royal Bk.Scot.10⅝ 98 £	125	92⅝	93	+0⅛	-1⅜	12.06
Saskatchewan 9⅞ 91 C$	150	†98½	99	0	+1½	10.53
Saskatchewan 10¼ 93 C$	200	99⅝	100	+0⅛	+1¼	10.32
State Bk.NSW. 13⅞ 93A$	100	94⅝	95	0	+0⅞	15.50
Sweden 15 94 A$	100	101⅞	101⅞	+0⅛	+1½	14.45
Toyota Mtr.Cr.11⅛ 92C$	150	102⅛	102⅝	-0⅛	+1¼	10.40
World Bank 13⅛ 92 A$	100	98⅛	98⅝	-0⅛	0	14.01
Zentrspk. 13¼ 93 A$	75	†95	95½	+0⅛	+0⅛	14.76

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic.Bld 94 £	.08	99.83	99.88	18/07	13.08
Bank of Greece 99 US	0¼	99.81	99.91	8/09	10.62
Belgium 91 US	0	100.23	100.33	19/08	9.38
Chelt.& Gloucester 94 £	.063	99.84	99.89	30/08	14.06
Credit Foncier 98 US	.063	100.31	100.41	20/10	10.16
Dresdner Finance 99 DM	.031	99.91	100.01	27/07	6.59
EEC 3 92 DM	0	100.48	100.58	20/08	5.63
Halifax BS 94 £	.1	99.85	99.90	6/08	12.97
Invt. in Industry 94 £	0¼	100.00	100.10	24/08	14.06
Leeds Perm. B/S. 94 £	0⅛	100.03	100.08	13/07	13.34
Midland Bank 01 £	.1	98.37	98.67	11/08	12.97
Milk Mkt. Brd. 5 93 £	0⅛	99.92	99.97	30/06	13.06
New Zealand 5 97 £	.07	99.98	100.08	22/08	13.19
State Bk. New. 98 US	.188	100.49	100.59	11/08	9.87
Woolwich Equit.BS. 93 £	0⅛	100.00	100.05	13/07	13.37
Woolwich 5 95 £	0⅛	99.87	99.92	22/08	13¼

Average price change... On day +0.02 on week +0.07

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62.	115	116	+0¼	10.80
Amer. Brands 7⅞ 02 US	9/87	56.7	123½	124½	+0½	1.70
Ashikaga Bank 2⅛ 02 US	4/87	967.	126	127	-0⅞	3.67
Asics 5 92 DM	12/83	472.7	264½	265⅞	0	9.56
CBS. Inc. 5 02 US	†4/87	200.	106	107	+2⅞	6.03
Primerica 5½ 02 US	4/87	66.75	68¼	69¼	+0⅞	95.28
Eng.China Clay 6½ 03 £	9/88	4.8	100½	101½	-0⅛	4.03
Fujitsu 3 99 US	5/84	1106.	215⅝	216⅝	-3	-2.07
Land Secs. 6¾ 02 £	6/87	6.72	93¼	94⅞	+0¼	11.46
Minolta Camera 2¼ 94DM	2/86	1004.	113½	115	+0⅛	7.92
MCA Inc 5½ 02 US	9/87	69.62	93⅛	94⅝	+1½	19.54
Mitsubishi Bk. 3½ 04US	5/89	3266.	93⅛	94⅛	+0⅛	3.78
Mitsui Trust 2⅞ 01 US	10/86	1903.	119½	121	-0⅛	2.72
Next Plc 5¾ 03 £	11/87	4.3	98⅛	99⅝	0	194.51
Nishi Nipp.Bk.2⅞ 03 US	4/88	884.	109⅝	110⅝	+0⅛	-2.78
Omron Tateisi 2¾ 02 US	4/87	1310.	233½	234½	+1	8.11
Ranks Hovis 4¾ 03 £	†1/88	3.5	124⅛	125½	+2¼	-1.02
Redland 7¼ 02 £	†1/87	5.4	106½	107½	+0⅛	8.84
Saatchi&Saatchi 6¾ 03 £	†10/89	4.41	91¼	92⅛	0	32.59
Sumitomo Bank 3¼ 04 US	2/89	4296.	85¼	86⅛	+0⅛	17.54
Texas Inst. 2¾ 02 US	†9/87	82.87	77	78	0	46.37
W.R. Grace 6¼ 02 US	9/87	42.12	94⅛	95⅛	0	20.63

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Istituto San Paolo buys Hungarian bank stake

By Alan Friedman in Milan

ISTITUTO San Paolo di Torino, the Turin-based bank which is one of Italy's biggest financial institutions, said yesterday it would pay $10m to acquire 20 per cent of Interbank, a Hungarian bank that specialises in trade finance.

San Paolo said the deal, which will make it the largest single shareholder of the Budapest bank, represented the first time a foreign institution had acquired a direct shareholding in a Hungarian bank.

The Italian bank, which has L85,700bn ($59.9bn) of total assets, also said it would be given the vice-presidency of Interbank and that Italian executives would take up several positions in its management. To reflect the equity purchase by San Paolo, the Hungarian bank is also to change its name to Intereuropabank.

Interbank has paid-in capital of $50m and until now has been owned by 43 Hungarian trading companies, none of which has a stake of more than 9 per cent.

At the close of last year Interbank had about $110m of total assets, $58m of deposits and a net profit of $6m. San Paolo is one of Italy's leading banks in the field of trade finance.

San Paolo, which recently reported L516bn of net profits for 1988, is one of the most dynamic and richest banks in Italy. At home it is planning to spend up to L1,300bn to acquire 40 per cent of Crediop, the Rome-based and state-owned investment bank and medium-term credit agency.

Crediop and San Paolo are to integrate some of their activities to establish an overall institution with a range of services from retail and corporate banking to the investment banking business.

San Paolo also recently unveiled plans to join forces with Britain's Guardian Royal Exchange to acquire a small Italian life insurance company.

La Repubblica bond issue to be considered

By Alan Friedman

MONDADORI, the Italian publisher which owns La Repubblica, the popular daily newspaper, will this morning examine plans for La Repubblica to issue up to L200bn ($140m) of five-year domestic bonds with warrants attached to buy shares in the newspaper.

The project, which if approved could be launched by the end of July, follows the news earlier this week that La Repubblica also plans a L10bn capital increase as part of a scheme to request a listing on the Milan bourse.

The bond issue, which would be launched by Mediobanca, the Milan merchant bank, would carry warrants enabling buyers to subscribe for up to 20 per cent of La Repubblica, which at present is 100 per cent owned by Mondadori. The newspaper is expected to seek a listing on the Milan bourse in the next 12 months.

La Repubblica made a L24.8bn net profit on L330bn of turnover in 1988. The paper, until recently Italy's best-selling daily, is in a neck-and-neck race for readers with the Corriere della Sera, which is slightly in the lead.

Rank doubles financing's size

By Stephen Fidler

RANK Organisation, the UK entertainment and leisure group, has doubled the size of a financing it established in 1987, to £900m.

The maturity of the original five-year multi-option facility, arranged by National Westminster Bank, has been extended by a further two years. The underwritten element remains at £450m, and the changes were agreed among the existing panel of banks.

The loan carries a 10 basis point margin, with a 2½ basis point utilisation fee if more than half used. The facility fee was split 7½ basis points for the so-called available portion, and 5 basis points for the unavailable, which can be a maximum of 50 per cent of the facility.

Another 1987 deal arranged by NatWest has also been increased. A £125m five-year evergreen facility for Crest Nicholson, the building group, was raised to £205m.

● The Royal London Mutual Insurance Society has a £150m sterling commercial paper programme, arranged by NatWest, with Midland Montagu, Morgan Grenfell and J. Henry Schroder Wagg also as dealers.

INTERNATIONAL CAPITAL MARKETS

Treasuries receive boost as oil prices fall sharply

By Janet Bush in New York and Stephen Fidler in London

AFTER BEING buoyed early yesterday by the US Federal Reserve's decision to allow the Fed funds rate to slide by about ¼ point, buying of US Treasury bonds accelerated later as crude oil prices dropped sharply.

In late trading, long-dated maturities were around ¾ point higher and the benchmark long bond was [illegible] points higher for a yield of 8.31 per cent.

The Fed funds opened at 9½ per cent and then slipped to 9⅜ per cent, below its perceived new target range of 9¼-9⅜ per cent.

The cautious response to the monetary easing was because bond market interest rates have more than discounted a ¼ point easing for some time. The question now is whether these yield levels can be sustained if there are no more easing moves soon – which few believe there will be.

The Fed drained reserves through five-day matched sales yesterday having omitted to drain on Tuesday. This was taken as confirmation of the easing move. Bond analysts did not regard the five-day matches as having any significance for policy.

The biggest boost to the bond market was a fall in crude oil prices. On the New York Mercantile Exchange, crude for July delivery dropped as low as $18.67 before rebounding somewhat to stand 81 cents lower at $19.65 a barrel in late afternoon.

The slide in oil prices was caused by worries that Kuwait would not abide by the Organisation of Petroleum Exporting Countries' new production ceiling which it agreed to only with reservations.

Trading today is likely to be cautious as dealers wait for the release of May's producer prices index tomorrow. This is expected to have risen by 0.4-0.5 per cent compared with the 0.4 per cent gain in April.

Otherwise, the bond market will continue to watch the behaviour of the dollar amid difficulty in determining whether, despite the Fed's easing, its current strength reflects genuine demand or a boost from political uncertainty abroad.

GOVERNMENT BONDS

THE UK government bond market rallied after a week in which prices have declined by up to 4 per cent. Prices at the long end of the market closed about ½ point higher, but this was attributed largely to covering of dealers' short positions adopted over the week.

Some traders reported that Japanese buying had aided the market, as had the perception that US credit conditions were now being relaxed. This allowed sterling to strengthen somewhat against the dollar, although disappointingly it made slight headway against the D-Mark and is still considered vulnerable.

The market suffered initially from the weakness of the pound, which has pushed up short-term interest rates, and from a suspicion that the Government may halt or reduce its buying back of government bonds.

For much of the afternoon dealers were awaiting the speech on economic policy by Mr Nigel Lawson, the Chancellor, before Parliament. Since he did not begin the speech until after the market closed, any reaction will have to wait until today.

The September long gilt contract on the London International Financial Futures Exchange posted gains of [illegible] point, ending the day at [illegible].

SPAIN'S announcement that it would join the currency arrangements of the European Monetary System before July 1 next year stabilised the peseta, particularly against the D-Mark.

Before the announcement, the currency had been depreciating against both the D-Mark and the dollar, and some foreign investors had begun to unload peseta bond holdings.

However, the bond hardly reacted yesterday, with prices easing only slightly. Investors are awaiting details of auctions today of one-year Treasury bills and three- and five-year government bonds, the first auction for some time of five-year bonds.

THE West German market firmed considerably, with gains of up to 70 pfennigs for nine to 10-year bunds. It opened 20-30 pfennigs firmer, taking its lead from the perception that the dollar has reached at least a temporary peak, with credit conditions easing in the US and the bund market in the Far East. There was a further rally in fairly active morning trading amid dollar weakness.

The Bundesbank's 35-day repurchase agreements added DM14.7bn to the market as maturing pacts drained DM12.1bn, at rates between 6.50 per cent and 6.80 per cent. However, there was little overall impact on the market.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	105-26	+9/32	11.32	11.44	10.95
		9.750	1/98	94-24	+13/32	10.69	10.60	10.24
		9.000	10/08	93-28	+15/32	9.70	9.58	9.26
US TREASURY *		9.125	5/99	105-26	+13/32	8.25	8.70	9.02
		8.875	2/19	106-03	+25/32	8.32	8.64	8.98
JAPAN	No 111	4.600	6/98	95.4017	+0.233	5.36	5.43	5.36
	No 2	5.700	3/07	105.7941	+0.394	5.08	5.14	5.07
GERMANY		6.375	11/98	96.8000	+0.800	6.84	7.02	6.97
FRANCE	BTAN	8.000	1/94	96.6350	-0.178	8.90	8.98	8.84
	OAT	8.125	5/99	96.0600	+0.040	8.73	8.86	8.74
CANADA *		10.250	12/98	105.2500	+0.375	9.40	9.76	9.96
NETHERLANDS		6.7500	10/98	96.5750	+0.300	7.26	7.45	7.22
AUSTRALIA		12.000	7/99	91.0233	+0.054	13.67	13.88	13.34

London closing, *denotes New York closing
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Sentiment turns sour in Swiss bond market

Andrew Freeman on the tough conditions that have eroded bankers' confidence

Asked to describe the state of the Swiss international bond market, one syndicate manager put it succinctly: "It's in deep yoghurt." Another said: "There used to be a joke that the Swiss market was a Mickey Mouse market. Well, now it's not a joke, it's dangerously near the truth."

High interest rates, the rapid rise in yields and an unprecedentedly weak currency have all but led to the demise of the fixed-rate sector, and many banks have been supported in the capital markets business only by Japanese equity-related deals.

The Swiss National Bank's recent decision to move to a floating Lombard rate has led to a temporary halt in the run of poor sentiment, but bankers agree that any optimism would be premature.

Evidence of the difficult conditions was provided last week, when Drexel Burnham Lambert announced its departure from the market. A month ago Amtrade pulled out of grey market trading and many other houses are rumoured to be close to similar moves.

Although there are strong parallels between the troubles on the Euromarkets and those in Switzerland, Swiss bankers are keen to point out that their capital market is unique. Like the Euromarkets, however, it is undergoing intense internal debate, stimulated partly by the unwelcome attentions of a cartel commission and partly by the knowledge that few, if any, banks are making a profit.

There is general agreement that 1989 has been a disastrous year. Mr John Zimmerlin, of Nomura Securities, says: "The convertible and covered warrant business, in particular, has been propping up this market."

But even that sector has recently run into trouble, with investors offering some resistance to large convertible issues for Fuji Bank and Dai-Ichi Kangyo Bank.

Bankers say there are complex reasons for the sudden reversal of the market's long-term fortunes. One senior official at a US bank in Zurich says: "International investors have stopped playing the Swiss game. There are worries that banking secrecy no longer holds, and that tax confidentiality will not be as rigorously upheld as it has been traditionally."

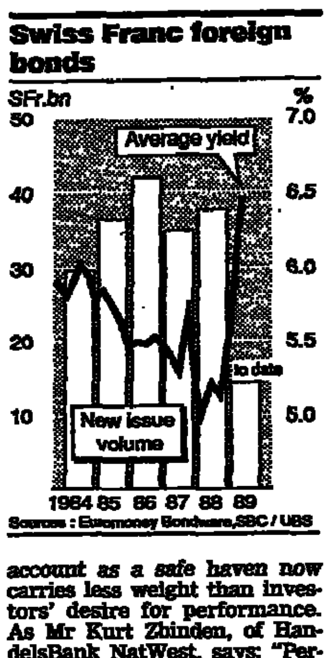
Even if, as many Swiss bankers maintain, these worries are unfounded, there is no denying that the fundamental attractions of investing in the Swiss currency have largely evaporated.

Investors, both international and domestic, have shied away from Swiss francs, looking to the Ecu and the D-Mark to provide a higher rate of return. Those and other markets are more liquid, have lower commissions and, crucially, do not have a stamp tax on turnover.

This has had a significant side-effect on the Euromarket, with a sharp shift in the placement and distribution power of Ecu-denominated bonds towards the Swiss banks, at the expense of their French rivals.

The traditional image of the Swiss franc and the Swiss bank account as a safe haven now carries less weight than investors' desire for performance. As Mr Kurt Zbinden, of HandelsBank NatWest, says: "Perhaps the Swiss franc is becoming more a currency of speculation."

Swiss Franc foreign bonds



Sources: Euromoney Bondware, SBC / UBS

This view is reinforced by the decisive breaking of the Swiss franc's historical trading range against the D-Mark. For the last five years it traded between 80 and 85 centimes, but in early May hit a six-year low of 89.43 centimes, leaving investors without a clear idea of the Swiss National Bank's currency policy.

The steep rise in interest rates has also taken the market by surprise. At the end of last year six-month Euro-Swiss franc rates were 4$\frac{11}{16}$ per cent. In May they peaked at 7⅞ per cent, and today stand at about 7⅛ per cent. While this has had a dramatic effect on bond yields, paradoxically it was seen as beneficial by some bankers, who argued that the sudden tilt into loss-making territory would force rationalisation of the business faster than if interest rates had edged higher over a long period.

Smaller banks were hit by a combination of punches, as cyclical changes forced the hand of their bigger rivals and precipitated secular changes in the whole debt business.

The public withdrawals from the grey market of Amtrade and Drexel signal what many bankers believe will be a shake-out which has been precipitated by the arrival in that market of the Big Three banks.

When the grey market began in 1983 it was the territory of foreign banks, which felt there should be clear two-way prices of new issues. Until then the Swiss market was very different from the Euromarket. Issues were hardly traded on the secondary market, but were locked away in accounts from which they never emerged.

Critics argued that this allowed lead managers to manipulate the prices of their deals. "In an illiquid market, investors were systematically ripped off," comments one banker.

In 1983 Citicorp was the first bank to begin active two-way trading of note issues, much to the discomfort of the Swiss banks, which were forced to revalue their clients' portfolios to reflect the new prices.

A year later Citicorp Geneva extended its trading operations to include all new and secondary issues, and was soon followed by a host of banks. However, in spite of the presence of these market-makers, the international bond market remains relatively illiquid, with unique trading patterns.

Because they control most of the new issues, the Big Three tend to control access to large blocks of paper.

In effect they still enjoy the monopoly they have had for years. Mr Bo Holmberg, Citicorp vice president in charge of syndication and sales, says: "To give investors what they want, that is large blocks of paper, you have to be in the primary business."

The entry of the Big Three banks, led by Crédit Suisse last year, has already transformed the grey market.

As some players forecast at the time, business immediately concentrated in the hands of the big banks, which could exert more control of their deals and efficiently shut out smaller competition.

But supporters of the grey market argue that it remains the best sanction against secondary price manipulation and the mis-pricing of new issues. The re-opening of the fixed-interest market this week, which had been closed since late-April, with several new issues judged to have been well priced, is seen as evidence that competition has at least resulted in some sanity.

A second article due to be published tomorrow will examine the underlying structures of the Swiss international bond market and look at tensions within the banking community.

Initial trade in Nikkei option to exclude foreigners

THE OSAKA Stock Exchange is scheduled to begin trading options on the Nikkei 225 stock average on Monday – without the participation of foreign investors, writes Stephen Fidler.

In a development which has angered some foreign houses, non-Japanese users of the market will not be able to trade the contract until June 30 at the earliest. While this will not affect the foreign banks and securities houses based in Tokyo, which are regarded as Japanese entities for these purposes, their overseas clients will be excluded.

Although the contract has been in gestation since last year, foreign futures brokers, asking not to be named, said they were only informed this week that Japanese foreign exchange regulations needed to be changed to allow their overseas customers to use the market.

A meeting of the Japanese Securities Dealers Association scheduled for June 21 is expected to recommend to the Ministry of Finance that the currency regulations be amended. However, this is not expected to happen until June 30 at the earliest.

This will allow the domestic houses to get used to an unfamiliar product before more experienced foreign investors can begin to deal, brokers claim. They add that this is typical of the difficulties faced by foreign firms operating in Tokyo. Foreign houses had hoped for profitable trading opportunities in early trading.

A second index option product, based on the Tokyo Stock Price Index, is due to start trading on the Tokyo Stock Exchange in the final quarter of this year.

● In Amsterdam, the financial futures market subsidiary of the European Options Exchange is due to launch a new guilder bond contract, which has been designed to encourage arbitrage with the West German bund contract on the London International Financial Futures Exchange.

The exchange's existing guilder bond contract is settled solely on a cash basis. The new contract will be based on physical delivery, like the Liffe's bund contract, at the request of professional users of the market. The three-month delivery cycle will be the same as on the Liffe contract.

The contract is based on a hypothetical government government bond with a nominal value of Fl 250,000 and a 7 per cent coupon. All bullet government bonds with an outstanding amount of at least Fl 1bn and a remaining life of eight to 10 years will be eligible for delivery.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed June 7 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Tue Jun 6 Index No.	Mon Jun 5 Index No.	Fri Jun 2 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (205)	964.11	+0.9	10.60	4.03	11.63	13.25	955.59	947.72	951.54	760.87
2	Building Materials (29)	1202.03	+0.7	11.80	4.27	10.44	17.91	1194.03	1182.33	1186.07	994.44
3	Contracting, Construction (37)	1661.09	+0.1	13.84	4.22	9.47	30.24	1658.73	1657.09	1663.95	1560.48
4	Electricals (9)	2844.81	+0.9	8.60	4.02	14.21	49.45	2820.64	2772.57	2761.98	2074.62
5	Electronics (30)	2264.43	+2.7	8.44	3.01	15.39	19.40	2204.51	2200.82	2215.85	1624.22
6	Mechanical Engineering (54)	526.02	+0.5	9.91	3.92	12.39	7.66	523.25	515.69	513.09	397.54
8	Metals and Metal Forming (7)	544.00	+0.1	14.55	5.45	7.77	1.84	543.24	541.47	544.76	465.13
9	Motors (17)	323.76	-0.3	11.50	4.69	10.21	6.83	324.71	319.98	320.39	274.69
10	Other Industrial Materials (22)	1554.24	+0.2	9.66	4.37	12.36	25.11	1552.46	1537.38	1556.38	1282.94
21	CONSUMER GROUP (187)	1206.80	+0.3	9.13	3.71	13.71	15.94	1203.18	1194.40	1199.77	1078.52
22	Brewers and Distillers (22)	1303.14	+0.3	10.42	3.71	12.06	16.84	1299.45	1296.74	1299.35	1115.21
25	Food Manufacturing (20)	1066.65	+0.5	9.63	3.89	13.00	15.69	1060.88	1051.35	1055.83	966.43
26	Food Retailing (15)	2263.68	+0.9	8.93	3.36	14.70	25.59	2242.85	2228.82	2227.72	1972.35
27	Health and Household (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29–99	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	FT-SE 100 SHARE INDEX	2117.9	+10.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST

PRICE INDICES	Wed Jun 7	Day's change %	Tue Jun 6	xd adj. today	xd adj. 1989 to date	AVERAGE GROSS REDEMPTION YIELDS	Wed Jun 7	Tue Jun 6	Year ago (approx.)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	93	2	11
Corporations, Dominion and Foreign Bonds	12	7	23
Industrials	469	295	815
Financial and Properties	181	101	374
Oils	23	23	49
Plantations	0	2	10
Mines	86	16	77
Others	79	65	105
Totals	943	511	1,464

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. date	1989 High	1989 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
$100	F.P.	-	10½	93	Abtrust New Dawn Inv. Tst.	99		-	-	-	-
-	F.P.	-	60	48	Do. Warrants	51		-	-	-	-
$100	F.P.	-	126	108	Boxmore Intl. 10p	116	-5	u5.2	1.9	6.0	11.2
175p	F.P.	-	200	185	Butler Cox 5p	200	+2	L4.0	2.5	2.7	18.7
[illegible]	F.P.	-	6675	6100	CMB Packaging SA FFr15	6675	+75	W-	-	-	15.9
[illegible]	F.P.	-	6450	5550	Do (¼ '89 Div Rtg) FFr15	6150	+200				
$100	F.P.	-	145	113	Capita Group	143	+2	u2.5	2.2	2.3	21.5
180	F.P.	-	208	180	Community Hosp. Grp £1	208	+2	R4.5	1.4	2.9	19.0
Fl.47	F.P.	-	£17¼	£16¼	DAF N.V. Fl.5	£16¾	+⅛	H02.5	1.8	4.2	10.0
98	F.P.	-	96	84	Diamond Group Wdgs 5p	91		L1.13	4.7	1.6	17.3
50	F.P.	-	65	58	Doncion Tyson 10p	58		u0.75	1.6	1.7	48.5
[illegible]	F.P.	-	110	70	Ex-Lands 10p	71	+1	0.5	-	1.0	-
[illegible]	F.P.	-	101	61	Do. Warrants	68	+2	-	-	-	-
130	F.P.	-	141	130	Fased Trading 5p	131		L4.88	2.4	5.0	13.2
[illegible]	F.P.	-	140	125	Hardy Oil & Gas 50p	137					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price £	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40	Nil	-	7pm	3pm	Millards Grp.	5pm	-2
17	Nil	7/6	1½pm	¼pm	Resort Hotels	½pm	-¼
60	Nil	5/7	10½pm	3¼pm	Senior Engineering	3¼pm	-¼
115	Nil	-	6pm	2pm	T & S Stores 5p	3pm	-1
200	Nil	-	44pm	12pm	Wimpplant	17pm	+3

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on Prospectus or other offical estimates for 1989. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on Prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other offical estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¶ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ◆ Issued in connection with reorganisation merger or takeover. ‡ Allotment price. ♦ Unlisted securities market. ♠ Official London listing. □ Including warrants entitlement. * Third Market.

TRADITIONAL OPTIONS

● First Dealings May 30
● Last Dealings Jun 9
● Last Declarations Aug 31
● For settlement Sep 11

For rate indications see end of London Share Service

Calls in Tuskar, Bula, Chloride, Amal Fin, HK Bank, Control Secs, Casket, Christies, Cowie T, Bulgin N. Medirace, Crayton Lab, Foseco, Elga. Puts in Tuskar, Poddingtons, Whitegate Leis.

LONDON TRADED OPTIONS

RACAL ELECTRONICS fetched the extraordinary amount of 5,636 contracts on the London Traded Options Market yesterday, against the background of financial analysts' re-assessment of its value in the light of the $6.5bn bid by McCaw for LIN. The underlying price of Racal rose no less than 48p to 558p. Dealings in the option accounted for around an eighth of overall business.

The turnover in the FT-SE 100 Index, however, would have stolen the show on its own, had it not been for the Racal dealings. Turnover in index options amounted to 16,158 contracts – far outrunning any recent level.

Behind this volume lay business carried out by James Capel, the agency broker. This house alone claimed over half the day's contracts in the index option but, as Mr Quintin Price, head of options research at the company, pointed out, there was both closing and opening of position going on in the index option contract.

The most heavily traded Racal series was the August 550 call, with 2,167 contracts, while there were 931 contracts in the August 500 calls. Some other August call series saw fair business, including the 390 on 300 contracts, the 420s on 470 and the 460s on 367.

Dealings in the FT-SE 100 index took place in the strange world created by developments in China. The index itself recovered a further 10.5 points on the day to 2,117.9 – following on from the heavy fall seen on Monday. The most heavily traded options series on it were the June 1,950 puts, with 3,200 contracts, and the September 2,250 calls, with 2,010. The September 2,200 calls saw 1,000 contracts, and there was also good turnover in the June call series from exercise prices of 2,050 to 2,200. The June 2050 puts attracted 1,670 contracts, and alongside that on the put side, the 2,100s 1,534, the 2,150s 959, and the September 2,000s some 810.

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Allied Lyons (*432)	420	25	44	51	6½	11	14
	460	7	22	32	30	33	36
	500	2	10	16	69	70	71
Brit. Airways (*193)	180	19	26	30	2	4	9
	200	5½	14	18	10	13	16
	220	1½	6	10	29	31	31
Brit Com (*177)	160	22	29	34	4	7	10
Shell Trans. (*407)	360	-	63	68	-	4	6
	390	29	37	46	6	11	13
	420	9	17	27	18	20	23
Storehouse (*155)	140	18	22	27	5	7	9
	160	7	14	18	17	20	22
Trafalgar (*362)	347	24	40	46	6	11	16
	377	9	23	28	20	24	30
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Aug	Calls Nov	Calls Feb	Puts Aug	Puts Nov	Puts Feb
Scot. & New (*315)	300	25	33	41	9	14	18
	330	8	20	28	28	32	34
Tesco (*179)	160	25	29	36	2	5	5
	180	9	16	22	7	9	11
	200	3	7	12	24	24	25

Option		Calls Jul	Calls Sep	Calls Nov	Puts Jul	Puts Sep	Puts Nov
ASDA Grp. (*172)	160	18	21	23	3	5	6
	180	7	9	13	12	15	16
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Reed 12% ahead after year of reorganisation

By Raymond Snoddy and Tony Jackson

REED INTERNATIONAL, the publishing and information group, yesterday announced an increase in pre-tax profits of 12 per cent to £271m for the year ended March 1989.

During the year Reed sold manufacturing businesses for a total of £890m leading to an extraordinary gain of £308m after tax. Publishing acquistions accounted for £288m, and since the end of the financial year commitments have been made for further acquisitions worth £652m.

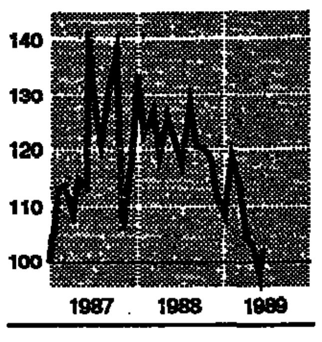
The move from manufacturing into publishing has resulted in a relative dilution in earnings in the short term, reflected in the 5 per cent rise in earnings per share to 34.5p.

Sir Stanley Grinstead, chairman of Reed said yesterday: "Concentration on publishing has improved the quality of our earnings substantially." The move into publishing meant Reed was now in a business that was less cyclical, had low fixed assets and generated strong cash flows.

Operating profits from publishing rose 43 per cent to £186m before exceptional items but after a £19m pension fund adjustment. Those profits exceed Reed's total profits of two years ago, indicating the strength of the move towards publishing.

Reed Int.

Share price relative to the FT-A All-share index



The operating cash flow from continuing businesses was £143m an increase of 83 per cent.

For continuing activities turnover increased by 22 per cent to £1.25bn compared with £1.03bn in 1988.

When the present cycle of acquisitions is complete – Mr Rupert Murdoch's US travel publishing operations, Independent Television Publications, publishers of the TV Times and the MIDEM group of exhibitions and markets – Reed will have borrowings of around £200m.

Within its self-imposed limits this would leave Reed with the potential to spend a further £300m-£400m on acquisitions.

Mr Peter Davis, Reed chief executive, said yesterday there were no other large acquisitions in the pipeline and the emphasis now would be on integrating the new businesses successfully.

Operating profits of Reed business publishing operations in Europe were 69 per cent higher at £57m, and operating profits of books were 60 per cent higher at £48m.

Although Reed said the underlying performance of IPC Magazines was strong operating profits were 10 per cent lower because of the closure of Riva and the costs of launching and acquiring new magazines.

A final dividend of 8p is proposed making the total for the year 12p, a 20 per cent increase

● COMMENT

Reed is having a hard time winning converts to its long-term strategy. The 17p fall in the shares yesterday, to 387p, was partly a response to figures slightly worse than expected – in particular, to the slight fall in earnings per share net of the pensions holiday. But the strategy always entailed two lean years, as earnings were diluted by the move first from paper and packaging to cash, and now from cash to publishing. This year, earnings growth will remain in single figures, putting the shares on a multiple of only 10: a perverse response to the shift from the old manufacturing days, when the shares commanded a premium. If, as promised, earnings move decisively off their plateau in 1990/91, the shares are cheap. If not, it will surely be worth someone's while to put such desirable publishing assets to better use.

Peter Davis: emphasis now was on integrating the new businesses as no other large acquisitions were in the pipeline

US Group pays £64m for Century Hutchinson

By Raymond Snoddy

RANDOM HOUSE, the US publishing house, yesterday bought its second significant British publisher with an agreed offer for Century Hutchinson worth £64m.

Acceptances have already been received for more than 50 per cent of the Century Hutchinson shares.

In 1987 Mr Si Newhouse's Random House took over Chatto, Bodley Head and Jonathan Cape. Now Century Hutchinson will be merged with Random House UK over a period of time.

Mr Anthony Cheetham, who will be chairman and chief executive of the new company and Mr Simon Master, who will be group managing director, said in a joint statement yesterday: "We both feel enormously excited by the future potential of the enlarged group which will be the most formidable general trade publisher in the British market with sales of over £60m.

Random said that the integrity of all imprints will be preserved and the aim is to build on complementary strengths in the UK and overseas.

Random House said the deal would also result in a more balanced publishing range in the general, specialist, children's and paperback fields.

Century was set up by Mr Cheetham in 1982 and took over the long-established Hutchinson, founded in 1888, in March 1985.

The deal represents a further concentration in the book publishing industry. For several years large multi-national groups have been swallowing medium-sized independents in the UK.

Laird Group sells Metrocab business to Reliant for £4m

By John Griffiths

LAIRD GROUP yesterday moved a step closer to disentangling itself entirely from its heavily loss-making road transport businesses, which have become a considerable embarrassment to it.

Laird is selling its Metrocab taxi-making business to the recently restructured Reliant vehicles, plastics and property group for just under £4m.

The announcement comes less than a fortnight after General Electric Company agreed to buy Laird's profitable Metro-Cammell railway rolling stock business for £44.5m.

But it still leaves Laird looking for a buyer for the bus and coach-making activities of its Metro-Cammell Weymann (MCW) subsidiary, from which the Metrocab business has been separated.

The heavy losses incurred by MCW, totalling nearly £50m over several years yet without Laird's management seemingly being aware of them, resulted in Laird sacking its auditors, Coopers & Lybrand earlier this year.

Losses of £18.1m were identified at MCW for the first nine months of last year, dragging pre-tax profits for the year down from £32.6m to £21.3m.

Restructuring costs and further losses since last September led to a further charge of £16.5m below the line, taking the group itself into losses at the attributable level.

An independent investigation by accountants Deloitte Haskins & Sells concluded that most of the problems were caused by significant overstatements of stocks and work in progress.

Laird has also experienced great difficulty in precisely allocating the share of losses attributable to bus and coach operations on the one hand, and the taxi business on the other.

However, under the deal announced yesterday, Reliant will pay Laird an expected £1.3m in 15 months time for Metrocab's plant and equipment, representing its net book value following a stock count; £450,000 for patents and rights, payable in instalments over five years; and an expected £2m for parts and other stock at a slight discount over its net book value. Payment for this, too, will be deferred for five months, then take the form of instalments.

Production of the Metrocab is to be moved from MCW's Birmingham plant to a new production at Reliant's Tamworth, Staffordshire, premises, where it has already been producing the Metrocab's plastic body as a supplier to MCW. Few of the Metrocab's 150-strong work force are expected to be transferred.

Mr Carl Turpin, Reliant's chief executive, said last night he expects Reliant will be able significantly to increase Metrocab's share of the UK "black taxi" market, which currently totals about 6,000 units a year and is dominated by the FX4 taxi manufactured by Carbodies of Coventry. The Metrocab has been selling about 1,000 units a year.

Sharp assets advance for J Rothschild

By Nikki Tait

J ROTHSCHILD Holdings, the investment company headed by Mr Jacob Rothschild which demerged its longer-term investments into a new trust last summer, yesterday reported an underlying rise of 38.6 per cent in net assets during the year to end-March.

JRH also announced that, in addition to a 19 per cent dividend increase, it is distributing all its remaining convertible stock in RIT Capital Partners, the new trust, to JRH shareholders. It calculates that this distribution is worth 17p per share, together with a tax credit of 5.7p.

At end-March, the fully-diluted net asset value per share of JRH stood at 186.5p per share. This is calculated after the RIT convertible stock distribution, and puts a value of £531m on the net assets.

Direct comparison between the net asset value a year earlier is complicated by the demerger. However, the company said that after adjusting for the RIT scheme and adding back the interim and final dividends, JRH's pro forma net asset value would stand at 290.4p compared with 209.5p a year earlier.

The company suggested that the impact of the sharp rise in the price of Anglo Leasing, the leasing company which is being used by Sir James Goldsmith as a vehicle for his return to the UK corporate acquisition trail, on JRH's net asset value was very small, although its remaining 12.5 per cent interest in Anglo is one of its five largest investments. JRH also holds 5.5 per cent of Sunningdale, the Anglo subsidiary that acquired a 29.9 per cent interest in Ranks Hovis McDougall.

Moreover, following the convertible loan stock distribution, JRH retains 40 per cent of RIT's ordinary shares – or, on a fully-diluted basis, 25.8 per cent. RIT, in turn, has interests in Anglo and Sunningdale.

During the year pre-tax profits at JRH were £134m, with the net profit on dealing investments being £123.5m (£91.6m). Investment income contributed £55.6m; related companies, £6.9m; and fund management and other income, £4.6m. Unrealised dealing profits were £59m (£40m).

Tax took £41.2m, and earnings per share amounted to 32.1p. During the year, 25.2m shares were bought in at a cost of £38.3m.

There was a realised loss of £2.6m on the holding portfolio, while extraordinary items – which principally comprise a £55m net realised gain on assets transferred to RIT, and the profit on the sale of Anglo Leasing shares to Sir James, offset by the discount on the distribution of shares and loan stock in RIT – added £25.7m.

JRH is offering shareholders who receive under £1,000 nominal of convertible stock the chance to sell it back to RIT at no cost.

Plessey in potential dispute

By Hugo Dixon

THE GENERAL Electric Company of the UK could be heading for another conflict with Plessey, over GPT, their telecommunications joint venture which has already been the subject of several acrimonious disputes.

GEC will decide in the coming weeks whether Plessey broke some of the undertakings it gave when the joint venture was established last year. If so, it is likely to serve a legal notice on Plessey and claim compensation, which could amount to as much as £45m.

Meanwhile, it is taking longer than expected for GEC and Siemens of West Germany to complete their negotiations with the Ministry of Defence and the Office of Fair Trading on the terms under which they will be allowed to resume their bid for Plessey. There is now almost no chance of them being completed this week.

The potential dispute over GPT centres on the value of the businesses that Plessey put into the venture at the time it was formed. Both companies gave warranties as to the value of the businesses they were contributing and GEC is now examining whether Plessey's warranties were accurate.

As part of the original deal, GEC paid Plessey £45m because the businesses it was contributing were judged to be less valuable. If GEC decides the agreement was breached, it will probably try to reclaim some, if not all, of this money.

Earlier this year, Plessey took GEC to court unsuccessfully arguing that the latter had broken the GPT agreement. The two partners have also squabbled about how the joint ventures' accounts should be presented.

No referral for Gateway disposals

Isosceles, the newly-formed company which is mounting a hostile £1.87bn leveraged bid for food retailer Gateway, yesterday saw a further boost to its campaign when the Secretary of State for Trade and Industry decided not to refer its proposed sale of 62 Gateway superstores to Asda to the Monopolies Commission, writes Nikki Tait.

The proposed deal is critical to Isosceles' plans for Gateway if its bid is successful. The bidder made clear at the outset that it intends to sell the Gateway superstores plus the Medicare chain and the Herman's subsidiary in the US, leaving it with the "middle ground" Gateway outlets.

Isosceles said at the outset it believed the proposed disposal of the superstores to Asda would not cause monopoly problems. The Secretary of State has also ruled that the proposed acquisition of Gateway by Isosceles itself does not merit MMC investigation.

Doctus and Prospective Group in £40m merger

By Andrew Hill

DOCTUS, the management consultancy, is to merge with Prospective Group, the marketing services consultant which grew from the former Pineapple Group, in a complex £40m deal.

The merger terms eliminate the possibility of Prospective having to pay up to £43.75m in shares as deferred consideration for its 1988 acquisition of Wallace Group, a US sales promotion company.

Mr Peter Bain, who succeeded Ms Debbie Moore as head of the former dance studio group in 1987, believed the potential earn-out on the Wallace acquisition and high gearing had held back Prospective's share price.

The enlarged group's borrowings should stand at about 1¼ times shareholders' funds, against 2¼ times at Prospective.

Doctus is offering one new share for every two in Prospective, valuing the USM group at £26.2m, 7 per cent above its value at yesterday's closing price of 64p, down 2p. Doctus shares closed up 2p at 137p.

In place of the deferred consideration, Mr Dan Wallace, who founded the eponymous sales promotion company, will receive £7.5m cash and 12.1m Prospective shares which will be committed to the Doctus offer. He will have 13.1 per cent of the enlarged group and a place on the board.

Doctus, is funding the deal with a one-for-one rights issue to its own shareholders, raising £11.8m; £7.5m of the proceeds will pay Mr Wallace, with the balance used to reduce group debt.

Prospective had considered renegotiating the Wallace purchase itself, and issuing shares to reduce borrowings. Instead, Mr Bain opted for the Doctus merger in an attempt to solve both problems.

Doctus yesterday also announced pre-tax profits up from £743,000 to £940,000 in the six months to March 31. Earnings per share rose to 5.14p (3.9p) and an interim dividend of 0.65p (0.5p) is declared.

No concert party at Bremner says DTI

By Philip Coggan

A DEPARTMENT of Trade and Industry investigation into Bremner, the stockbroking and property group, has decided that there was no undeclared concert party operating in the period covered by the inspectors' investigations.

A DTI inquiry under Section 442 of the Companies Act 1985. was set up in February 1987 at the request of Mr James Rowland-Jones, Bremner's former chairman. The inspectors, Mr Malcolm McIver and Mr Duncan MacLeod, were asked to determine "the true persons who are or have been financially interested in the company."

The request followed the purchase of a 27 per cent stake in Bremner by Malaga Investments, an investment vehicle established by City and Westminster Financial, a corporate finance company run by Mr Andrew Greystoke.

Bremner had been involved in discussions to acquire CWF but after talks broke down, a battle ensued between Mr Greystoke and Mr Rowland-Jones. CWF attempted to oust Mr Rowland-Jones from the board but the latter succeeded in having Malaga's shares disenfranchised.

The inspectors say that "we believe that his (Mr Rowland-Jones's) request for an inquiry . . . was justified in view of the uncertainties surrounding the beneficial ownership of the Malaga block."

The inspectors say that the Malaga shares were acquired on the basis of funding provided by three parties, Sleipner (UK), International Financial Markets Trading and Mr David Sinclair. This funding was arranged at short notice and the inspectors conclude that "there is no doubt that throughout the period of Malaga's holding in Bremner, strenuous efforts were made to secure satisfactory financing for the Malaga block."

About Mr Rowland-Jones, the inspectors say that "his unorthodox style and use of numerous circulars to the members of Bremner alleging in colourful language improper behaviour of previous and proposed Bremner management are unconventional to say the least." They add that "his conduct of the EGM on 17 March 1987 which we attended was, in our view, unnecessarily overbearing."

However, the inspectors point out that Mr Rowland-Jones "considered that such tactics were justified in order to obtain the interest and attention of the members of Bremner".

Bremner plc, Investigation under Section 442 of the Companies Act 1985, HMSO, £10.50.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Betterware § ....fin	3.75	-	3	5.55	4.4
Brown (N) ....fin	3.5†	-	3.5	5	5
Camford Eng ....int	1.3	July 21	1	-	5
Doctus ....int	0.65	Aug 24	0.5	-	2
Electrocomponent....fin	3.6	Sept 1	3.1	5.07	4.37
Fashion and Gen ....fin	11.7	-	11.7	19.7	21.7
Hazlewood Foods ...fin	2.5	Oct 3	1.475	4†	2.6
Lyons Irish ....fin	7.2♣	-	6.5	11	10
Neotronics ....int	0.6	Aug 29	0.6	-	1.8
Oriflame ....fin	6.5‡‡	-	5.5	10	8.5☆
RCO ....int	2.7	Sept 29	2	-	6
Reed Intl ....fin	8	-	6.5	12	10
Rothschild Hlds ......fin	5.5	July 25	5.5	9.5	8
Sndrs & Sidney § ....fin	4.6	July 21	4	6.9	6

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¢Third market. ☆For 15 months. ‡‡Gross. ♣Irish pence.

UK COMPANY NEWS – THE MAGNET BUY-OUT

Magnet attracts interest in other managers

David Waller and Nikki Tait on the largest MBO so far and its effect on their future

TOMORROW IS a big day for Mr Tom Duxbury, chairman of Magnet. By the end of it, he will have a good idea whether his £629m buy-out bid for the Yorkshire-based kitchens company has a chance of success.

But will tomorrow, the penultimate closing date for the bid, also be a big day for the the future of such highly leveraged deals in the UK?

There is one school of thought which believes that if this "go private" move is successful, there are other ambitious managers waiting to follow in Mr Duxbury's footsteps. Conversely, runs the same argument, if Magnet fails, others will be discouraged.

The outcome of the Magnet offer is significant for various reasons.

There has been a modest, if steady, stream of buy-out bids over the past year as managements, disillusioned and hamstrung by post-crash stock market ratings, have looked at alternative means of developing their businesses.

However, at £629m the Magnet deal is substantially larger than any of the others to date. Moreover, it is the first in which the management bidder has started with virtually no existing stake in the business.

Now, with the end in sight, it seems that institutional attitudes to the whole subject of MBO bids range widely – from outright condemnation at one extreme to enthusiastic endorsement at the other.

And even those institutions which do not taken an extreme view of such deals in principle, express worries about one crucial issue: the extent to which the information they were given was enough to give them an accurate picture of Magnet's situation, past, present and future.

Sun Alliance and Postel have been the most vociferous opponents of the deal on grounds of principle. Indeed, it was unfavourable comment from the former last Friday that helped tilt City sentiment against the bid and drive the share price below the 300p cash offer price.

"This is the thin end of a dangerous wedge," argued Mr Jeffrey Brown of Sun Alliance. "If this deal goes through it will create a precedent and deprive us of the the opportunity to invest in any number of well-managed companies over the long term."

He said he was not concerned about whether Magnet would have a bad year this year or next. Over the next 10 years, it would make a good investment, he argued. "It is ironic the City should be criticised for taking a short-term view, when we're being done out of the chance to take a long-term view."

At the opposite extreme of the spectrum are fund managers who like the idea of buy-out bids. "They are a very efficient way of restructuring an existing quoted company," argued one. "They are remotivating for management, and can bring out the value in a company which is not reflected in the share price."

Many, however, tend to take the view that buy-out bids should be assessed like any other deal, on purely commercial considerations.

In Magnet's case, there were a number of important considerations, not least of which was a City consensus that the shares would fall back to about 200p should the 300p cash offer be withdrawn. The business is also highly dependent on Mr Duxbury's retailing skills, and thus vulnerable should he walk away in disgust at the failure of the buy-out.

Moreover, the business appeared risky in the light of a downturn in consumer spending and high interest rates.

This, however, does not prevent a large number of institutional shareholders from expressing considerable unhappiness at the amount of information which is made available to them in such situations, and on which they are required to decide whether the premium offered is fair.

The point has been repeatedly made that if management – which must know the most about the business in question – wants to buy it at a given price, it must believe that it is doing a good deal.

The disquiet over the degree of information supplied has brought a couple of initiatives.

The investment committee of the National Association of Pension Funds, representing one class of large institutional investor, has put out a discussion paper suggesting that the information available to management which gives rise to an MBO proposal should be made available to shareholders. It takes on board the point that this may be confidential, but suggests that if such a consideration produces insurmountable difficulties, the MBO should simply not be possible.

It also recommends the provision of detailed forecasts of profits and return on capital for a minimum of three years, and that all MBOs should contain terms which relate the ultimate price paid to how well the company eventually performed in relation to those forecasts.

Finally, it points out the difficult position in which non-executive directors may find themselves, and suggests the creation of a special "adviser to shareholders" – whose duty would be to report on the fairness of the terms offered.

The approach of the investment protection committee of the Association of British Insurers, was slightly different, although some similar concerns have surfaced. In this case, the matter is thought to have been raised with the Takeover Panel itself.

However, from a regulatory point of view, the position is by no means straightforward either; projections about the company's future, for example, do not have the same status as a carefully-checked profit forecast. "MBO bids are an emerging issue," says the Panel carefully, "and are a matter of fairly frequent internal discussion."

The remaining question is whether the Magnet decision will indeed prove a watershed. Some institutions are inclined to think not, given the pressures which are creating such deals in the first place, although they do suggest that managements may be more cautious in the future if Magnet fails.

What seems virtually certain is that if the deals do keep coming, the debate about their merits will rumble on.

At the heart of the debate over Magnet is the question of information. It is instructive to find out who knew what, writes David Waller.

Ordinary shareholders were told only that their company was set to report a pre-tax profit of £72.7m for the year to March 31 1989. After stripping out property profits of £12.2m, this was significantly lower than brokers' forecasts.

The figure implied a sharp fall-off in profits in the second half of 1988-89. No explanation was given, either in the offer document or in response to questions from investors. That helped create uncertainty which made the 300p cash offer appear more attractive.

The company made great play of the fact that it had a history of over-optimistic forecasting and had completed no budgets for the current year. Nevertheless, potential backers, non-executive directors and Kleinwort Benson, financial adviser to Magnet (as opposed to the buy-out team), were given access to long-term projections.

According to Mr Colin Keer, managing director of Bankers Trust, principal adviser to the buy-out team, prospective financiers were given access to management assumptions about variables such as sales increase, the impact of interest rates or store opening on demand and so on.

By plugging those assumptions into a computer, one could come up with profit projections for a number of years. Backers were free to tinker with the variables as they pleased to come up with figures on which they could make their own judgments.

"That was the point," argued Mr Keer, "no two institutions would make their decisions on the same assumptions."

Kleinwort and the non-executives were furnished with the same information. Kleinwort went to Keighley in Yorkshire to grill the management about its particular assumptions.

On the basis of this, the non-executives recommended shareholders to accept the offer in the absence of a higher offer from another party, while Kleinwort went out of its way to say that the offer price might not represent an appropriate premium for control and that shareholders should give no more than "serious consideration" to accepting.

During early stages of negotiations, the Takeover Panel was consulted to establish how much information should be given to other potential bidders. It ruled that the same information should be given to them as to potential backers.

Scrutiny of the loan agreement shows that covenants require the company's "net worth" – defined in a complex way – to be £122.7m in the year to March 1990, £126m in the following year, rising to £244m by 1994 and £390m by 1996. Mr Keer said that one should not draw a correlation between the growth in this figure and profits growth over the period.

Bankers control narrow escape hatches

EVER SINCE Sun Life started stirring up a fuss about the terms – subsequently amended – of the offer for Magnet's convertibles, the fate of the whole offer has seemed in doubt, writes David Waller.

Sun said it had increased its stake in the convertibles to more than 10 per cent. At that level, it argued, it was also in a position to block the ordinary offer.

The question, then and now, was whether the deal could go through with less than 90 per cent endorsement from both categories of shareholder. The answer seems to be, yes, but not very easily.

Although the offer document states that the bid for the ordinaries cannot be declared unconditional as to acceptances unless the the separate convertible preference offer has been accepted by at least than 90 per cent, it also makes clear that this condition can be waived.

Thus, with acceptances from convertible shareholders running at only 37.9 per cent and nearly 70 per cent backing from ordinary shareholders, it is technically possible to declare the offer unconditional now. But only with the backing of the senior lenders backing the bid.

If 90 per cent acceptances are achieved in both classes of shares, the bankers are duty bound to provide the £300m senior-term debt on the terms set out in the offer document. However, a covenant in the loan agreements shows that a majority of 66⅔ per cent of these financiers – by value – must endorse the deal if it is to proceed without 90 per cent acceptances on both offers.

The banks concerned are Bankers Trust – also principal adviser to the buy-out team – together with Long-Term Credit Bank of Japan, Security Pacific, Standard Chartered, Bank of Scotland, Creditanstalt-Bankverein and Hill Samuel. There are no details of how the loan has been parcelled out between them.

Bankers Trust – wearing its advisory hat – has consulted the banks in an attempt to find out what level they would actually be happy with.

Mr Colin Keer, managing director of Bankers Trust in London, says that less than 90 per cent may prove acceptable if it seemed that there was a reasonable chance of getting to that level after the deal has been declared unconditional.

But, if Sun Life was known to be unwilling to vote its blocking convertible stake *under any circumstances* (which it is not, incidentally), it is unlikely that approval would be forthcoming. "It would be a question of totting up the outstanding shareholders and coming to a view as to whether they would ultimately back the bid," Mr Keer said.

Only at 90 per cent can the company compulsorily buy in the minority and turn itself private, allowing it offer its assets as security against loans.

If all ordinary shareholders endorse the deal, but only 89 per cent of the preference holders, the company cannot be turned private. The preference shares are ultimately convertible into ordinary shares for which a listing would have to be maintained.

It is technically possible for the bid to go ahead if – as seems likely – it obtains 75 per cent acceptances from the ordinary shareholders alone.

At this level, two crucial thresholds are breached.

● The bid vehicle, DMWSL 033, and Magnet can be classified as a group for tax purposes. Interest incurred by the geared-up DMWSL can be offset against Magnet's profits, reducing the profits on which taxes are paid.

● It also becomes possible to pay dividends down from Magnet to DMWSL shareholders. In this way DMWSL's bankers could receive their interest payments. But the outstanding preference shareholders would be entitled to a dividend too.

It is technically possible for Mr Duxbury to rid himself of the preference shareholders altogether, but only by employing financial ingenuity. If DMWSL has more than 75 per cent acceptances from this class, it could redeem the preference shares, but only at their 100p par value. The DMWSL bid offers shareholders only 90p.

If there seems little incentive to accept 90p when they could get 10p more, shareholders must consider that if they do not accept, they might not get anything.

Mr Keer is emphatic: "If both the offers do not attract 90 per cent support each – or it does not seem that there is a major chance of getting to that level fairly shortly – I do not think that the bankers would give Mr Duxbury the authority to proceed."

There was little chance, he added, that the bankers would insist on tougher terms: a higher interest bill would only add to the risks faced by a highly leveraged company selling "big-ticket" consumer items in an era of penal interest rates.

ADT continues clean-out with sale to Marriott

By Clay Harris

ADT, the electronic security systems and vehicle auction group, yesterday continued its housecleaning of lower margin activities, by agreeing to sell its North American hospital support service business to Marriott for $83.5m (£53m).

The US and Canadian operations of United HealthServ, the ADT subsidiary, account for annual operating profits of about $8m, the Bermuda-based former Hawley Group said.

The deal raises ADT's total proceeds from cleaning and maintenance disposals in the past year to more than £190m.

Apart from United HealthServ's operations in Australia and New Zealand, which Marriott is not buying, ADT is left only with Berkeley-Challenge, the leading maintenance company in the same countries, and Evergreen, a US lawn-care contractor. These businesses may also be sold.

The latest disposal, which also follows a steady flow of debt repayments from Henlys, ADT's Canadian-listed associate company, puts the group into a net cash position.

ADT has stated its intention to expand its two core businesses, but it believes that the prices being paid for security companies, especially, are too high.

For Marriott, the hotels and services group, the acquisition will consolidate its position as the second largest facilities management company in the US. In the narrower field of hospital services, United HealthServ will add 600 contracts to the 150 which Marriott has at present.

The US and Canadian assets changing hands have a net book value of $26m.

ITV companies approve publishing sale to Reed

By Raymond Snoddy

THE ITV companies have approved the sale of Independent Television Publications, publisher of the TV Times, to Reed International in a deal worth £113m in cash.

The 16 ITV companies will divide the proceeds according to their net advertising revenue. Thames Television will get the largest slice, 14.8 per cent, with London Weekend Television second, getting 11 per cent.

Smaller ITV companies such as Grampian and Ulster will get a little more than 1 per cent of the deal.

In addition to the £113m and a £10m cash dividend out of accumulated profits the ITV companies will also get a royalty of £2m a quarter for the next 3½ years, as long as the present exclusive right to publish commercial television listings survives.

The contract with Reed also involves a slice of free television advertising for the magazine over the next 3½ years, unless exclusive listings go.

Reed has asked Mr Alwyn Wise, managing director of ITP to leave the company. Mr Wise joined ITP in 1968 as joint advertisement manager and has been managing director since 1981.

He was involved in a management buy-out bid which, it is believed, came within £3m of the Reed offer.

Seacon to dispose of Milford Docks

By Clay Harris

SEACON HOLDINGS, the shipping and cargo handling group, has agreed to sell Milford Docks Company, the Welsh port operator, to Milford Haven Port Authority.

The disposal will transfer Milford into public ownership for the first time in a corporate history which stretches back more than a century. It signals the authority's intention to redevelop the port more swiftly than Seacon could justify on commercial grounds.

Seacon rescued Milford with an all-share takeover in 1987. It will receive in excess of the subsidiary's book value, which stood at £2.9m at September 30 1988. The port authority will pay for Milford out of its own reserves, Mr Michael Hyslop, general manager, said yesterday.

The authority said it intended to continue Seacon's policy of attracting general cargo to the port and improving facilities for the fishing industry. For the latter, Seacon opened a £400,000 ice plant in January.

In the longer term, however, the authority envisaged transforming the docks into a "marine-related leisure development" with a continued role for the fishing fleet.

Under Seacon's brief tenure, Milford returned to profit for the first time in many years, showing a £49,000 pre-tax surplus in 1987-88, a minor component in Seacon's overall profit of £1.39m. The group's main business is operation of Britain's only covered steel terminal on the Isle of Dogs and shipping lines to and from continental Europe.

Yesterday's announcement was prompted by a recent sharp rise in Seacon's Third Market-traded shares. They closed yesterday at 152p, giving the group a market value of £9.8m.

Mrs Fields shows progress in first four months

By Andrew Hill

Profits and other income at Mrs Fields stores in the first four months of 1989 were 18.2 per cent higher than in the equivalent period last year, according to Mr Randall Fields, chairman of the US cookie maker and retailer.

Mrs Fields is quoted on the USM but has most of its operations in the US. Problems with underperforming stores and subsequent closures led to pre-tax losses of $18.5m last year, although Mr Fields said in April that the company would definitely return to pre-tax profits in 1989.

Speaking at the agm, Mr Fields said improvements in operating costs at the cookie stores had led to a 30 per cent reduction in overheads.

He added that the group planned to open a further 15 Mrs Fields Bakeries — shop-cum-café stores selling bakery products as well as the traditional muffins and cookies — to add to 12 already trading.

The wisdom of an investment in Pearl

Nick Bunker in London and **Chris Sherwell** in Sydney on AMP's stake in Holborn-based insurer

SOMETIMES, over the lunch-time steak, fish and claret deep in the marbled recesses of Pearl Group's High Holborn head office, the table talk turns back to the last time it faced a takeover threat.

In the late 1960s, Mr Jim Slater was the potential predator. He was rumoured to be planning a hostile bid for the UK's third largest "home service" life insurer, with the aim of stripping out the excess funds accumulated by the remarkably conservative financial management that has characterised Pearl since its origins in the 1860s.

The bid never materialised, but some of Pearl's older staff recall its secret plans to see off the asset stripper. "We had our Exocets ready," in the words of Mr Stanley Maitland, a Pearl director.

Now, once again it looks as though Pearl will not be needing its guided missiles. Last week's £100m juggle between Pearl Group's two antipodean shareholders, Australian Mutual Provident and FAI Insurances, triggered speculation that a full bid could be imminent. FAI sold its 13.5 per cent stake to AMP, giving AMP 18 per cent of Pearl altogether. But the canniest observers feel it is unlikely that AMP will try to buy the rest of the group.

True, AMP wants 5 per cent of the UK life assurance market, a goal which prompted its recent merger with London Life, the mutual life office. Behind this strategy is a recognition that, with 30 per cent share of the Australian market, it has limited room to expand at home.

Ironically enough, though, last week's events may actually lay to rest the myth that British insurance companies are about to be engulfed by a wave of hostile bids from foreign insurers in the run-up to 1992, for the simple reason that no other foreign insurer apparently showed any interest in buying the FAI stake.

The first Pearl knew of AMP's move to 18 per cent was when a letter from Mr David Anderson, AMP's chairman, arrived last Friday morning. Mr Leigh Hall, manager of AMP's investments division, had told advisers of Mr Rodney Adler, the chairman of FAI, that he would be interested in the Pearl stake if the price was right.

But it took several hours of haggling before a deal was done last Thursday at 418p per share, some 25p above the then-market price, valuing Pearl as a whole at £753m.

But, judging from comments by Mr Hall, a full bid is not on the cards. "We don't see Pearl in the same way as London Life," he says. "London Life is part of AMP, and we have responsibility for its management. In the case of Pearl, we are now a larger investor." And, says Pearl's chief general manager, Mr Nigel Proddow, AMP has "gone over the top to assure us that this is purely a portfolio investment."

He also makes clear the satisfaction at Pearl about the disappearance of FAI from its register. "I certainly favour it (AMP) as a shareholder more than its predecessors," says Mr Proddow.

Pearl's relationship with FAI was bound to be uneasy: FAI's stake-building was manifestly an attempt to put the group into play as a takeover target. There was also a cultural chasm between the edgy, entrepreneurial Hungarian-born Mr Larry Adler, the late father of the current chairman, and Pearl's senior management, most of whom have spent their entire careers in Holborn.

On financial grounds alone, a full bid from AMP looks distinctly unlikely. As a mutual, it can finance an acquisition only from the cash resources owned by its policyholders. And buying Pearl would involve a huge goodwill write-off which would bite a meaty chunk even out of its A$30bn (£14.4bn) of life funds.

Analysis of Pearl's annual returns to the UK's Department of Trade and Industry suggest that at the end of 1987 it had a going-concern value of at least 500p per share.

Now, Mr Roger Hill, life assurance analyst with London's Warburg Securities, reckons a bid would have to be pitched at 600p to succeed, valuing Pearl at £1.08bn altogether. Given that Pearl's end-1988 shareholders' funds were only some £183.8m, a near £800m write-off looks possible.

So what is AMP up to? One reason for seeing Pearl as a good portfolio investment could lie in the UK group's hidden strengths. By industry-wide standards its premium growth has been only a little better than average in the last decade, at about 17 per cent, but it does have a strong business franchise.It is one of the UK's 15 or so remaining home service insurers, which sell and collect premiums via trade unionised armies of door-to-door agents. This is a costly way of selling, but it makes for a strong and stable customer base.

Pearl increased its new life sales by 11 per cent to £69m in 1988, thanks largely to the remarkable success of its 6,000-strong sales force in selling 120,000 "personal pension" policies in six months.

In February it started a Field Structure Review, aimed at reorganising the sales force to boost sales of new products such as personal pensions, unit trusts or personal equity plans. It is also shifting its head office to Peterborough, which should bring sizeable expense reductions.

Pearl's other hidden strength is financial. As with other home service insurers, especially Refuge Group and Britannic Assurance, decades of conservative reserving have left it awash with surplus assets. At the end of 1988, Pearl's life funds had total investments of £6.65bn, close to 1.9 times greater than its actual liabilities to policyholders. So strong and stable dividend growth is more or less assured well into the 21st century.

There is another, less charitable way though of looking at AMP's investment in Pearl. This is to see it not as a sensible portfolio diversification, but as a sadly unimaginative move.

Among the UK's quoted home service insurers, cosy cross-shareholdings by other, friendly insurance companies are commonplace. Refuge is 17.3 per cent owned by friendly life companies, Canadian (Refuge) Holdings and Britannic. Britannic is owned 10 per cent by Refuge, 8.9 per cent by its own pension fund, and 7 per cent by Prudential Assurance, while Britannic itself owns 7 per cent of another home service insurer, London and Manchester.

If AMP's holding in Pearl turns out to be another one of these cosy arrangements, cushioning Pearl from the threat of takeover and deepening management conservatism, then AMP's policyholders in Australia could start asking questions about just what AMP thinks it is doing with their money.

Greenwich Resources runs into losses

Greenwich Resources, exploration, developer and producer of gold and other minerals went sharply into reverse in the six months to March 31 with a pre-tax loss of £911,000 compared with a corresponding profit of £636,000 last time.

Reorganisation costs of £560,000 and a doubling to £459,000 in net interest charges, due to increased borrowing and banking charges, were primarily responsible. But administration costs also soared from £194,000 to £316,000 which included the costs of setting up and running the Australian office which has now been closed. Benefits of the board and senior management reorganisation should be seen during the rest of the current financial year.

Loss per share was 2.9p (adjusted earnings of 2p).

Evered sells polymer side to Rubatex in £22m deal

By Andrew Hill

EVERED HOLDINGS has completed the divestment of non-core activities begun when the Abdullah brothers were still at the helm of the quarrying group.

Yesterday, the company announced the sale of its polymer activities to Rubatex Corporation of the US for £22.2m cash, including the repayment of inter-company loans.

The polymer operation is composed of seven businesses involved in rubber compounding, rubber compound processing and the production and distribution of hydraulic seals. In 1988 they showed trading profits of £3.4m and had net assets of £17.4m.

Evered took a major step towards becoming a pure quarrying business in December when it sold the bulk of its industrial products division via a management buy-out for about £54.5m.

It has also sold other peripheral subsidiaries, including its mobile communications operation, at the same time making a series of quarry and quarry product acquisitions.

The Abdullah brothers, who turned Evered from a medium-sized engineering business into an acquisitive mini-conglomerate, announced they would quit as chairman and chief executive in January, stepping down a few months later.

Miller Group hits £18m and order book strong

By James Buxton, Scottish Correspondent

THE MILLER Group, the privately-owned construction and development company, saw its pre-tax profits leap from £7.63m to £18.02m in 1988.

The company, based in Edinburgh, experienced strong growth in turnover which rose 23 per cent to £234m.

Miller's construction division expects a larger order book in 1989 than the busy year it had in 1988. Miller is handling development projects in London, Glasgow and elsewhere.

The housing division benefited from last year's strong market in the south-east and other parts of Britain. The mining division won two major contracts to extract open-cast coal.

Borrowings declined from £36m in 1987 to £11m last year and return on shareholders' funds doubled from 13 per cent to 26 per cent.

Mr James Miller, chairman, said that he believed the British economy was still going well despite the problem of high interest rates. Although the housing market had declined in the south-east it was still strong in Scotland and other areas.

Mr Miller said that seeking a public listing "was not on the agenda." There was no demand or reason to seek a quote, he said. The controlling Miller family did not need it to go public, and the company did not need extra finance.

"What we're trying to do is act like a public company, which is what most of our competitors are," he said.

Addison to call meeting about board representation

ADDISON Consultancy plans to call a shareholders' meeting to vote on an attempt by Motivaction, the privately-owned French market research group, to gain three seats on the board of the market research and design group.

Motivaction, which has built up a 24.5 per cent stake in Addison, said on Monday that it requested the meeting after failing to reach agreement on board representation during several meetings with the British company.

If board representation was granted, the French would be likely to hinder Addison's talks with MAI, the financial services and advertising company, which has been considering a takeover bid for Addison for at least two months.

Concert party takes stake in TR Technology

By Nikki Tait

The Grace-Pinto concert party, which last year successfully forced a unitisation of Crescent Japan Investment Trust, has built up a 5.68 per cent stake in the ordinary shares of TR Technology, one of the trusts in the Touche Remnant stable.

TR Technology has already been subject to one lengthy bout of shareholder agitation. This resulted in Firmandale, a Jersey-based company which owned 27 per cent of the trust's shares and was advised by Berkeley Govett, taking back a similar proportion of the trust's assets.

The remaining assets stayed with Touche Remnant but the Technology trust was reorganised into a split level fund.

Another acquisition by B Elliott

B Elliott, the engineering group which last April spent £22.4m acquiring four businesses from Williams Holdings, announced that it had acquired Insley (London) for £5.25m.

Insley, which is being sold by Meggitt Holdings, is being purchased free of debt with net assets of £1m. In 1988, it reported profits before tax and interest of £611,000.

Mr Michael Frye, Elliott chairman and chief executive, said: "Insley is a good company and is an excellent fit to our acquisition strategy." The group, will complement Elliott's merchanting and specialist engineering activities.

Last month Elliott announced pre-tax profits up 99 per cent to £4.44m (£2.23m) for the year to March 31.

UK COMPANY NEWS

Hazlewood up 37% despite scares

By Philip Coggan

HAZLEWOOD FOODS, the acquisitive food manufacturing group, yesterday revealed a 37 per cent increase in pre-tax profits, from £33.8m to £46.5m, in the year to March 31 1989.

The group said the increase had been achieved despite the effects of the salmonella and listeria scares which knocked £3m off the final profit.

Hazlewood has been extremely acquisitive in Europe, and for the first time has split its results by country. The figures show the Netherlands contributed £18.4m to operating profits, compared with £28.04m from the UK.

The company has also restructured on a divisional basis and the new divisions, with profits and turnover, are: frozen £15.6m on £102.5m; confectionery and snacks £7.8m on £72.2m; grocery £8.5m on £75.8m; fresh foods £8.4m on £59.6m; produce £5.4m on £42.1m; and non-food £2.2m on £29m.

The distribution business made a small loss on turnover of £72m and Mr Dennis Jones, finance director, said the operation was likely to be sold or closed down. There would be about £3m to £4m of reorganisational costs this year associated with the change to a divisional structure.

Group turnover was £453.7m (£361.4m). Net interest charges were cut to £1.9m (£2.8m). Earnings per share were 16.84p (12.91p) and the final dividend is 2.5p for a total of 4p (2.6p).

● COMMENT

Once again, Hazlewood has produced excellent figures – its profits have grown from just £1m in 1983 – but the markets were unimpressed, marking the shares down 2p to 282p. It is possible to find fault with these figures: gearing is very high with borrowings of £82m against shareholders funds of £92m; these profits included £1.4m of currency gains and also surpluses from the sale of the stake in Northern Foods; and growth-enhancing acquisitions will become more difficult as the company gets larger. However, Hazlewood can argue that its interest cover will be about eight times this year, currency and Northern Foods' profits were offset by the similarly non-recurring health scare costs, and it has plenty of scope for organic growth. The pro-Hazlewood case seems stronger; strategically, the company is in a good position, with both geographical and product spread, and its management strengths are proven. But given the doubts the shares, assuming pre-tax profits of £60m this year, look fairly rated on a prospective p/e of 13.

Ball to join USM with £11m value

By Vanessa Houlder

AH BALL Group, a specialist in the excavation and laying of pipelines, is joining the Unlisted Securities Market in a placing that will value it at £10.8m.

Hill Samuel yesterday announced the placing of 1.88m shares at 165p apiece, which will raise about £555,000 for the company. Kleinwort Benson Securities is broker to the placing.

The company was part of John Brown from 1968 to 1984, when it was the subject of a management buy-out supported by 3i and Candover Investments.

The company's main market is the water industry, which accounts for about 90 per cent of its turnover. The remainder of the business includes laying gas pipes and cable ducts for British Telecom.

The company said it expected to benefit from additional capital expenditure in the water industry. This is expected to follow the removal of public sector spending limits after privatisation and the European Community directives requiring higher standards for drinking water, river quality and bathing beaches.

Pre-tax profits were £1.41m (£1m) on turnover of £5.81m (£5.5m) for the year to March.

Electrocomponents up to £52.7m but retail distribution side static

By Clare Pearson

ELECTROCOMPONENTS, the distributor of electrical and electronic components, increased its pre-tax profit by 13 per cent in the year ended March 31 1989, from £46.7m to £52.7m.

The RS Components subsidiary showed good growth in sales and operating profit both at home and in exports. On sales of £199.6m (£174.4m) profits moved ahead to £46.7m (£39.1m). It benefited from a new pricing structure covering high quantity orders.

However, there were continuing problems in the much smaller franchised components distribution business where profits were £700,000 (£1.2m) from sales of £37.6m (£36.2m). Additionally, the recession in the high street meant profits on the distribution to retail side were static at £4.5m although, because of acquisitions, turnover rose to £69.1m (£52.6m).

Misco, the computer supplies company operating in Europe and the US, increased profits to £2m (£1.2m) on sales of £74.66m (£44.8m). However, the company warned that competitive pressures rose in the US market in the last quarter.

An exceptional charge of £900,000 (£500,000) covered amalgamation costs for the two UK franchised distribution companies, as well as the consolidation of the companies which distribute data processing peripherals in the US.

Electrocomponents said this year the distribution to retail division should be helped by operating efficiencies arising from a move to new premises by one of the companies. At RS, there is a plan to establish a West German base in about 18 months' time.

Earnings per share rose to 16.6p (14.7p). The final dividend is set at 3.6p making 5.07p (4.37p) for the year.

● COMMENT

Electrocomponents has an excellent track record thanks to the sustained growth in RS Components, which thrived even during the last recession on the trend to just-in-time business practices. However, there are worries about the other aspects of the business – in particular increased exposure to the retail cycle arising from acquisitions in recent years – and the sudden and unexplained departure of Mr John Robinson, the former chief executive, this spring did nothing to allay concerns that Electrocomponents might be losing its way. That said, yesterday's statement proved less gloomy than expected, triggering a 13p bounce in the share price and the shares, on a prospective p/e of 11 if pre-tax profits of about £60m are achieved this year, are considered a weak hold.

N Brown profits halved to £6.1m after strike

By Maggie Urry

N BROWN Group, the direct mail order, property and financial services group, suffered a sharp drop in taxable profits from £13.5m to £6.1m in the year to March 4.

The decline was mainly attributable to last September's postal strike, which cut profits by £6.5m. Sales advanced over 7 per cent to £107.7m, but would have been £15m higher but for the strike.

Mr David Alliance, chairman, said: "the main effects of the postal dispute are now behind us. Mail order sales are now comfortably ahead and we are confident of recovering our levels of profitability this year."

David Alliance: mail order sales comfortably ahead

The dividend is maintained at 5p for the year, through a same-again final of 3.5p, covered by earnings per share of 7.13p, down from 15.82p.

The group had warned of a "very significant" fall in profits when it released slightly lower interim figures in November.

The mail order division's operating profits dropped 38 per cent to £8.3m, having shown annual profits growth of 30 per cent over the previous five years.

The postal strike came just after the autumn/winter catalogues had been dispatched and also hit the recruitment of new customers. It took until after Christmas for customer confidence to be restored, according to Mr Alan Dean, chief executive.

The results were also depressed in Morfitt and Turnbull, the financial services division, which contributed about £1.5m the previous year but made only a small profit this time because of a drop in new business in its fund management subsidiary. Although partly offset by strong growth at Dunlop Heywood, the commercial property surveyors, divisional operating profits fell from £2.6m to £1.7m.

The interest charge rose from £2.2m to £3.8m, with investment income up from £184,000 to £249,000.

● COMMENT

The postal dispute was even worse news for direct mail order companies than the big agency groups. Although Brown has now negotiated lower rates, the post office still handles all its parcels, and more than half its orders. Brown should be able to recoup most of the fall in the current year and be back on a growth track next, helped by some judicious acquisitions and catalogue launches. Its target customers – mainly older, larger women – are in the fastest growing age groups and it therefore avoids the fashion kerfuffle. Until more positive signs of resumed growth are visible, however, the shares are likely to drift.

Courtaulds spends £3.5m to expand US films side

By Andrew Hill

COURTAULDS, the chemicals and textiles group, has added another US company to its growing performance films business with the purchase of Intrex, a subsidiary of Sierracin Corporation of California, for $5.5m (£3.5m).

In April, the UK company paid $17.5m for Gila River Products, a performance films group based in Phoenix, Arizona, following up its acquisition of Andus, a Californian films company, at end-1988.

Like Gila, Intrex supplies high-technology films to the US aerospace and defence markets. Its 1988 sales were $3m.

Mr Richard Lapthorne, Courtaulds' finance director, said combining Intrex and Andus would allow the group to compete in all sections of defence and aerospace markets.

Total sales from the US performance films business now run at about $100m a year.

Further purchase by acquisitive IWP

IWP International, the Irish mini-conglomerate being built up by Mr Dennis Jones, Hazlewood Foods finance director, has acquired Johan Pützfeld Industrie-en Handelscompagnie for Fl 25.6m (£7.34m), writes Philip Coggan.

Pützfeld, based in Amsterdam, manufactures plastic parts under the Skiffy brand name for industrial and domestic use and distributes rubber conveyor belts. Last year, it made pre-tax profits of Fl 3.85m on turnover of Fl 6.59m.

Consideration is in the form of 2.12m IWP shares which have been placed on behalf of the vendors at prices of 350p and 405p. IWP has now made 14 acquisitions since Mr Jones and a group of investors moved into the group in June 1987.

Continued City redundancies help Sanders & Sidney rise 9.5%

By Edward Sussman

SANDERS & SIDNEY, the USM-quoted employment counselling company with a large chunk of business originating from City redundancies, increased its pre-tax profit by 9.5 per cent to £852,427 in the year to March 31.

Citing a "gradual but continuing" fall-out of senior executives from the City, Mr Deryck Sidney, chairman, said turnover rose 24.5 per cent to £2.98m (£2.4m). But forecasts of widespread City redundancies "turned out to be less severe than some had anticipated." Mr Nigel Sanders, financial director, said the company assisted in only one large-scale redundancy during the year, at Morgan Grenfell.

"Institutions have realised that if you fire an enormous number of people at once, you attract bad publicity," he said. "It's better to dribble it out by a couple a week."

The company increased its fee for individual clients from £1,000 to £1,250, plus 15 per cent of previous salary – on average £35,000. Former employers pay the fee. The number of individual clients remained steady at about 416, with about 500 others participating in group counselling, double the previous number.

Mr Sidney said the company expected its services to be used more widely in general industry, but was continuing its efforts in the financial sector.

Earnings per share increased to 11.7p (10.8p) and a final dividend of 4.6p was proposed to make a total of 6.9p (6p).

COMMODITIES AND AGRICULTURE

Oil markets disappointed with Opec output deal

By Max Wilkinson, Resources Editor

OIL MARKETS yesterday showed disappointment with *the failure of the Organisation* of Petroleum Exporting Countries to secure an agreement likely to end violations of the production pact by all 13 members.

The Opec meeting in Vienna closed with a formal agreement, to raise the group's production quota by 1m barrels per day to *19.5m b/d, but* Kuwait and the United Arab Emirates indicated strongly that they would feel free to breach their assigned limits, which they believe are unfairly low. Both countries have been producing 50 to 70 per cent more than their agreed quotas of around 1m b/d.

On the *New York* Mercantile Exchange yesterday the price of light crude for July delivery was down almost 50 cents after the news of the agreement at just under $20 per barrel. In Europe the price of Brent crude fell 32½ cents to $18.07½ a barrel.

Opec agreed that the new 19.5m b/d production limit *would last for six months, but* would be reviewed in September by the group's ministerial market monitoring committee, which has power to convene a *full meeting if necessary. The* cartel also agreed to continue to aim for a "reference price" for crude of $18 per barrel.

Proposals that Kuwait and *the UAE should be given a special*, additional allocation of around 200,000 b/d each in return for a promise to stay within the limits set by the agreement were abandoned, partly because Kuwait would not give a firm undertaking to stay in line, and partly because of opposition from Saudi Arabia and several other members to making special quota increases.

The 1m b/d increase will therefore be shared by all members in proportion to existing quotas. This gives the largest rise to Saudi Arabia, whose share of Opec production is set at 24.5 per cent.

Kuwait's quota rises from *1.04m b/d to* 1.09m b/d, but its actual production is now about 1.7m b/d according to well-placed industry observers.

The general increase in quo*tas will leave little scope for* "cheating", however, during the next few months when demand is traditionally slack. According to the latest projec*tions from the Paris-based* International Energy Agency, demand for Opec crude in the absence of stock changes between July and September *can be expected to average* 19.6m b/d. In October to December demand would be expected to pick up to a little over 22m b/d.

Opec's failure to obtain a credibly binding commitment from its stragglers, is therefore likely to dampen oil markets. To balance the market it was generally agreed that Opec needed to make a substantial cut in production from its recent level of around 21m b/d.

Soya growers angry at losses

By John Barham in Sao Paulo

ANTI-GOVERNMENT demonstrations are spreading throughout Brazil's soyabean-growing regions. Angry farmers are protesting against the Government's exchange rate policies which they say are causing them huge losses.

The protests began a week ago in the western state of Mato Grosso and spread to southern Brazil, the country's agricultural heartland. In the state of Parana, farmers blocked the entrances to banks, granaries and roads with *tractors and combine har*vesters. In Mato Grosso, infuriated farmers dumped tons of soyabeans on the roads, closing them to traffic.

Mr Rogerio Recco, an official at a major Parana farm co-operative, explained that producers wanted the Government to depreciate Brazil's overvalued currency. He said export prices, which determined domestic prices as well, had hardly taken account of the inflation rate, which has risen by 130 per cent so far this year.

Soyabean production this year reached a record 22m tonnes, 20 per cent more than in 1988. About 68 per cent of the crop will be exported for a forecast $3.8bn. Soyabeans are Brazil's third most important source of foreign exchange.

But Mr Recco said: "The way things are now, whoever *increased yields and output is* being penalised by government policy." Farmers are having to repay bank loans, which include interest and inflation charges while soyabean prices remain unchanged.

The protests are spreading to other important soyabean producing areas in northern and central Brazil. Oranisers want to mount a national sales boycott to force the Government to change its policy. Producers in Parana have sold only about 25 per cent of their harvest so far, half the usual amount. This week's protests were times to coincide with a new round of meetings between government officials and farmers' representatives.

Soyabean smuggling to neighbouring Paraguay is said to have increased dramatically, despite police efforts to stem the contraband. Paraguayan *traders pay prices linked to the* currency black market, which quotes the Brazilian cruzado at one third of the official rate.

One farmer said: "It's crazy, we have Paraguayans coming here almost every day offering to pay cash prices almost three times what we can get on Brazil. A lot of people are selling to Paraguay."

New York buying sparks gold upsurge

By Kenneth Gooding, *Mining Correspondent*

GOLD BULLION'S price in London early yesterday jumped by $10.25 a troy ounce from Tuesday's close to $375.50 following a surge of overnight buying on the New York Commodity Exchange (Comex) futures market.

Other precious *metals rose* in sympathy.

Some analysts suggested that this was a delayed reaction to the turmoil in China. Optimistic traders wondered whether the gradual fall in the gold price from $500 since November, 1987, was over at last.

Mr Tom Butler, gold bullion manager at Samuel Montagu, said that, while many people expect the price to move upwards, "there is no way of knowing what will happen until the situation in China becomes clearer."

However, Mr Robert Weinberg, gold analyst at James Capel, the securities house, who predicted two weeks ago that the gold price would rally temporarily, said: "We haven't seen the bottom yet. $300 an ounce by the end of this year is where we're headed."

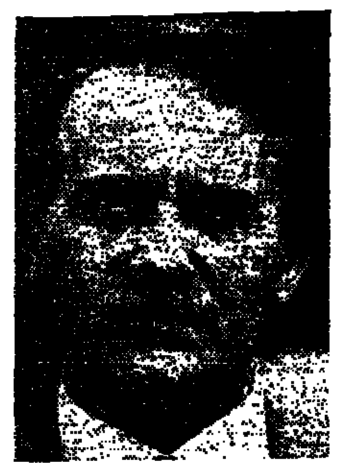
While the rally was more rapid than he had expected, he was sticking to his prediction that in the immediate future the gold price was likely to reach $380 an ounce, "bumble around for a while" and then step down to $340.

He said yesterday's sudden spurt had nothing to do with events in China but had been caused entirely by buying in New York and "those funny fellows in the Comex pit desperately seeking a reason to convince people to buy or sell – for no other reason than that they have to make a living."

The lack of demand in London yesterday saw the gold price ease back a little to close at $375 last night. Platinum was up by $6.25 an ounce to $506.25 and silver advanced by 13 cents to 540 cents an ounce.

Looking beyond the CAP reforms

Bridget Bloom talks to the next president of the EC Farm Council



Henri Nallet: Seeking a longer term view of rural strategy

FRANCE HOPES that under its forthcoming presidency of the European Community the EC's farm ministers will be able to stand back from the immediate problems of reforming the common agricultural policy to take a longer term view of rural strategy.

Mr Henri Nallet, the French Minister of Agriculture, wants ministers in particular to focus on environment policy, and on making more "coherent" the panoply of measures agreed over the last two years to help farmers adjust to farming's changing fortunes.

In an interview in his Paris office, Mr Nallet said these were two of his four priorities for his presidency of the Farm Council which begins on July 1, when France takes over the Presidency of the EC from Spain.

The other two priorities would not be controversial, Mr Nallet thought. These were the need for a pause in the EC farm reform and budget stabiliser programme set in train by the Brussels summit 15 months ago, and the need for farm ministers to be involved in the formulation over the next six *months of the EC's position* in the next phase of farm negotiations within the Uruguay Round of the General Agreement on Tariffs and Trade.

However, Mr Nallet 's intention to push through agreement on the remaining so-called socio-structural measures, including aid for diversification, could prove more controversial. Mr Nallet said he would hope to persuade the Commission to take a "more imaginative and flexible" approach on the measures' implementation.

In particular, France would like to see the measures, which have been agreed piecemeal over the last two years, welded *into* a "more coherent and comprehensible package." The dozen or so measures range from the set-aside scheme for taking land out of arable production to direct income aid for poorer farmers, with schemes to help farmers retire early, or introduce less intensive farming methods, in between.

All are designed to help *farmers* adjust to declining incomes following the CAP reforms, at a time when the whole of the rural economy, rather than just agriculture, must be *the focus of the EC's* attention, Mr Nallet said.

He suggested the possibility of moving towards "one-stop shopping" with farmers choosing, from a more *comprehensible* package, those measures which suit them best.

The French minister would also like the Brussels farm council to work out a *coherent* strategy on farming's relationship to the environment, although he did not think that the Commission's controversial directive on *nitrate controls* would be ready for negotiation during the French presidency.

Mr Nallet this month celebrates a year as France's *socialist farm* minister, during which time his domestic priority has been the reform of France's outdated agricultural laws and administrative structures which, he believes, have held back the modernisation of much of French agriculture.

In the last six months measures aimed at introducing greater competition into the special system of agricultural credit have been introduced, while there have been changes in the bankruptcy laws as they involve farmers, and to pension law, *both aimed at* bringing farmers into line with the rest of the economy.

Later this month, Mr Nallet will introduce a Bill to Parliament designed to change the whole basis of land taxes which have long been seen as a constraint on farm size and thus on farm efficiency.

In the past, farmers have been subject to a land tax which has financed a special social security system. The tax is set collectively by each Department on the basis of *complex* calculations involving area of land cultivated, the type of crops grown and other factors. It is levied on farmers as a per hectare charge.

The minister now proposes effectively to abolish the tax and make farmers pay for their social security via a charge levied on their income, as hap*pens in the rest of the French* economy.

The reform is a major one in the French context, although it has some way to go before it is agreed and implemented. If as expected, it goes through Parliament, the minister plans other such modernisation measures. However, these are expected to stop short of changes in the inheritance laws which often mean the sub-division of farms – principally because the laws themselves are not confined to agricultural property.

"My aim is to get the reform programme through by 1992 and the arrival of the single market," Mr Nallet says. "We will then have a *formidable* card to play within the European Community, because the *reforms* should make French agriculture more competitive."

Falklands acts on overfishing

By Andrew Marshall

THE FALKLAND Islands has closed one of its most lucrative fisheries nearly a month earlier than expected, because of fears that stocks are being run down too rapidly.

The first season for common or loligo squid, which was to have run until June 30, will end at midnight on June 9. Licences for the second season, for August and September, are not affected.

"We believe that the conservation level that we would prefer to maintain is being steadily eroded," said Mr Lewis Clifton, the islands' representative in London.

The declaration of a 150 mile-radius fishing zone around the South Atlantic archipelago in 1986 has given a massive boost to the Islands' economy. But the rapid growth of fishing activity, both inside and outside the zone, has raised fears that overfishing will destroy fish stocks.

The Falklands authorities attempt to control fishing levels through licencing and monitoring of catches, and this year their research suggested that though stocks had been *good, the uptake by the fleets* was much higher than usual. This was due to "refined techniques," said Mr Clifton. According to the Falklands authorities, high loligo catches this year have hit prices.

Mr Clifton said that some boats were believed to be catching up to 70 tonnes a day, well over the norm. This suggests that the basis which the islands use for issuing licences – an estimate of how much each boat is capable of catching, related to an estimate of the total fish stock – was inadequate, and will have to be revised.

It is believed that 44 vessels *from 10 countries will be* affected by the decision, though the Falklands Government says that "the continuing liaison with the fishing companies suggests that they fully understand the need for long-term conservation measures."

However, representatives from some fishing companies have previously complained about the high cost of licences, claiming that this would force companies to reassess their catching effort.

The maintenance of the zone has been a delicate balance between profit and conservation since its inception. A report earlier this year warned that conservation "continues to be the major consideration in the management of the fishery."

The zone accounts for roughly one third of the world's supply of squid, and its development has changed the Falklands' economy out of all recognition from the wool-based monoculture that prevailed at the time of the 1982 conflict between Britain and Argentina over the Islands.

In 1988, combined licence *and investment revenue for* the Falklands was £25m, and the total value of the catch for the boats which fish the zone – mainly from Japan, Korea, Poland, Spain, Taiwan and the UK – was estimated at about $300m.

Two species of squid – illex and loligo – make up the bulk of the catch, with loligo, which is sold in the Mediterranean market, accounting for $171m of the total in 1988. Spanish vessels catch 54 per cent of the loligo while Polish boats take 29 per cent.

January start for Virgin Islands refinery

By Canute James in Kingston

A SUBSIDIARY of Marc Rich, the commodity trader, which has purchased a mothballed bauxite refinery in the US Virgin Islands, expects to start shipping alumina (aluminium oxide) from the plant in January.

The plant, which has a rated capacity of 700,000 tonnes of alumina per year, is being rehabilitated following its purchase by Virgin Islands Alumina, a subsidiary of Clarendon, which is owned by Marc *Rich*.

The purchase price for the refinery from Martin Marietta, the former owners, has not been disclosed, but industry sources say Clarendon paid US$45m for the refinery, and will spend another $50m rehabilitating it. Martin Marietta closed the plant in late 1985, blaming weak demand and low prices for alumina.

Mr Willie Strothotte, president of Clarendon, said the refinery's output would be shipped to smelters in the US and western Europe.

Lords attack EC plan to end border health checks

By Bridget Bloom

THE EUROPEAN Commission's intention to abolish frontier health checks on *animals* and plants in 1992 could compromise health standards in the Community, risk serious economic and environmental loss and lead to greater expense, a British parliamentary committee has declared.

The House of Lords Select Committee on the European Communities argues in a report published yesterday that if standards are to be maintained "it is essential for effective Community-wide health controls to be established before controls at frontiers can be relaxed or abolished." The removal of the controls is envisaged in the legislative programme on veterinary and health matters leading to the single European market in 1992.

The Lords Committee notes that, although that programme has fallen badly behind schedule, the *Commission* still proposes to abolish frontier checks by then.

"This is misconceived", the Committee says. "1992 is a useful slogan but not an achievable objective. The only secure time to relax or dismantle frontier health checks is when the need for them has disappeared. This will only happen when an effective common health regime has been established."

The Committee concludes: "The premature abolition of frontier *controls* before alternative systems have been tried and tested would compromise health standards in the Community, risk serious economic and environmental loss, and lead to more barriers, more regulation and greater expense. This would undermine the whole purpose of the Commission's proposals. The Commission should think again."

**1992: Health Controls and the Internal Market. HMSO, £13.00*

WORLD COMMODITIES PRICES

LONDON MARKETS

COFFEE prices advanced sharply yesterday in late trading on a burst of speculative buying. Dealers said there was no significant factor behind the late rise, which could also have entailed some stop-loss buying and short covering. There were few developments at the International Coffee Organisation talks, although *news that producers and consumers* were setting up a contact group emerged after the market closed. Cocoa prices fell as heavy selling by trade houses emerged in the afternoon. The selling coincided with unconfirmed market *talk that* Ivory Coast might have sold equal amounts of current and/or new crop cocoa to one US and one French trade house. "These are just the latest in a long line of rumours...nobody knows what to believe any more and we are playing it very cautiously," one dealer said.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.75-5.85v	-0.15
Brent Blend	$18.05-8.10	-.325
W.T.I. (1 pm est)	$19.95-0.00v	-0.43
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$231-233	-3
Gas Oil	$147-148	
Heavy Fuel Oil	$90-93	-1
Naphtha	$184-186	-2
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$375.00	+9.75
Silver (per troy oz)♣	540c	+13
Platinum (per troy oz)	$506.25	+6.25
Palladium (per troy oz)	$155.65	+2.45
Aluminium (free market)	$1985	+70
Copper (US Producer)	111⅝-13½c	-2¼
Lead (US Producer)	37.25c	
Nickel (free market)	690c	+30
Tin (European free market)	$10295.0	-7.5
Tin (Kuala Lumpur market)	27.19r	
Tin (New York)	470.5c	
Zinc (US Prime Western)	83½c	
Cattle (live weight)†	121.36p	+2.78*
Sheep (dead weight)†	241.06p	+16.0*
Pigs (live weight)†	91.52p	+6.51*
London daily sugar (raw)	$281.4u	+1.0
London daily sugar (white)	$351u	+1
Tate and Lyle export price	£290.5	-0.5
Barley (English feed)	£104.0w	-0.5
Maize (US No. 3 yellow)	£131.5	
Wheat (US Dark Northern)	£130.00u	+0.75
Rubber (spot)♥	57.00p	
Rubber (Jul)♥	62.75p	
Rubber (Aug)♥	63.00p	+0.25
Rubber (KL RSS No 1 Jul)	281m	+1
Coconut oil (Philippines)§	$570u	
Palm Oil (Malaysian)§	$395	+5
Copra (Philippines)§	$355.0	-2.5
Soyabeans (US)	£196	
Cotton "A" index	75.0c	-0.8
Wooltops (64s Super)	620p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. v-Jul. u-Jun/Jul. x-Jul/Aug. w-Aug. z-May/Jun. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High	Low
Jul	771	795	812	762
Sep	792	814	830	781
Dec	848	869	884	836
Mar	852	871	881	841
May	865	878	888	848
Jul	873	898	900	866
Sep	894	909	920	895

Turnover:9024 (4671) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jun 6 991.38 (956.78) :10 day average for Jun 7 982.79 (981.44)

COFFEE £/tonne

	Close	Previous	High	Low
Jly	1210	1192	1212	1187
Sep	1190	1167	1190	1168
Nov	1173	*1150*	*1175*	*1165*
Jan	1175	1145	1169	1155
Mar	1163	1143	1155	1162
May	1167	1140	1155	

Turnover:2839 (4362) lots of 5 tonnes
ICO indicator prices (US cents per pound) for *Jun 8: Comp. daily 112.05 (112.02) . 15 day* average 116.06 (116.26)

SUGAR ($ per tonne)

Raw	Close	Previous	High	Low
Aug	253.20	251.80	254.00	250.80
Oct	253.40	251.80	253.60	250.20
Dec	251.80	250.00	250.00	
Mar	246.60	245.20	246.60	244.00
May	246.00	243.40	243.00	
White	**Close**	**Previous**	**High**	**Low**
Aug	343.50	343.00	343.00	341.00
Oct	*323.00*	*323.00*	*323.60*	*321.00*
Dec	316.50	316.00		
Mar	303.50	304.00	304.00	303.00
May	302.50	300.00	302.50	301.00

Turnover: Raw 3298 (2832)lots of 50 tonnes. White 887 (890).
Paris- White (FFr per tonne): Aug 2294 Oct 2160, Dec 2110, Mar 2030, May 2025 Aug 2010.

CRUDE OIL $/barrel

	Close	Previous	High	Low
Jul	*17.87*	18.05	18.02	17.77
Aug	*17.63*	*17.77*	*17.75*	*17.65*
Sep	17.50	*17.57*	17.53	17.52
IPE Index	18.02	17.98		

Turnover: 8514 (7789)

GAS OIL $/tonne

	Close	Previous	High	Low
Jun	146.75	147.75	147.75	146.25
Jul	145.50	147.50	147.00	144.50
Aug	146.50	148.50	147.25	145.50
Sep	148.00	149.75	148.25	146.50
Oct	149.75	151.50	149.25	148.75
Nov	151.00	152.50	151.00	149.50
Dec	152.25	153.75	152.50	152.00

Turnover 9289 (8499)lots of 100 tonnes

WOOL

Prices are untested in the Australian market and the only approximate guidance comes from the final British wool sale of the season in Bradford. Thus world levels are unchanged. Wool production forecasts from *Australia re-emphasise the importance of* increases next season. These now seem likely to exceed 7%, which with wool already held means that over 1 million tonnes will be available in that country. A recent feature is relative strength shown by medium and finer crossbreds, which did not share in the strong merino wool price rise of the past couple of years. Conditions in Bradford remain extremely quiet.

LONDON METAL EXCHANGE *(Prices supplied by Amalgamated Metal Trading)*

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 9,750 tonne
Cash	1988-90	1965-75	1990/1985	1988-90		
3 months	1915-6	1915-20	1925/1905	1915-6	1915-8	34,570 lots
Copper, Grade A (£ per tonne)						Ring turnover 33,225 tonne
Cash	1587-8	1585-7	1588/1587	1587-8		
3 months	1577-8	1580-1	1583/1576	1577-8	1582-3	75,120 lots
Lead (£ per tonne)						Ring turnover 12,400 tonne
Cash	445-8	435-40	450/440	445-8		
3 months	400-1	398-9	408/398	400-1	408-9	9,638 lots
Nickel ($ per tonne)						Ring turnover 2,814 tonne
Cash	12875-925	12800-900	12900/12850	12875-925		
3 months	11875-900	12000-50	12000/11900	11875-900	11900-50	7,430 lots
Tin ($ per tonne)						Ring turnover 465 tonne
July 3	10275-85	10270-90		10275-85		
3 months	*10295-300*	*10290-5*	*10325/10295*	*10295-300*	*10300-10*	*679 lots*
Zinc, Special High Grade ($ per tonne)						Ring turnover 7,875 tonne
Cash	1630-5	1595-600	1630/1626	1630-5		
3 months	1550-5	1525-30	1570/1550	1550-5	1585-70	11,680 lots
Zinc ($ per tonne)						Ring turnover 8,700 tonne
Cash	*1500-5*	1465-505		1500-5		
3 months	1465-8	1455-60	1495/1440	1465-8	1465-95	10,267 lots

POTATOES £/tonne

	Close	Previous	High	Low
Nov	100.0	98.5	99.0	
Feb	112.0	112.0		
Apr	174.9	166.0	175.0	166.4
May	190.0	182.0	188.5	181.5

Turnover 458 (429) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Jun	152.00	152.00	
Aug	147.50	148.50	148.00
Oct	*147.00*	*148.50*	*147.00*
Dec	145.50	147.00	144.50

Turnover 25 (10)lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High	Low
Jun	1345	1375	1345	1336
Jul	1322	1334	1320	1313
Oct	1450	1461	1454	1440
Jan	1478	1485	1478	1470
Apr	1505	1510	1505	1497
BFI	1425	1446		

Turnover 428 (226)

GRAINS £/tonne

Wheat	Close	Previous	High	Low
Jun	114.75	115.25	115.00	114.75
Sep	104.40	104.40	104.40	
Nov	107.25	107.15	107.15	

Barley	Close	Previous	High	Low
Sep	102.80	102.70	102.70	
Nov	106.05	106.95	106.00	105.85
Jan	109.45	109.20		
Mar	112.40		112.30	
May	113.85		113.70	

Turnover: Wheat 48 (81), Barley 30 (12).
Turnover lots of 100 tonnes.

PIGS (Cash Settlement) p/kg

	Close	Previous	High/Low
Jun	111.5	111.3	
Aug	108.5	108.5	108.3
Oct	113.0	113.0	

Turnover 5 (17) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	374¾-375¼	237¼-237¾
Opening	375-375½	238½-239
Morning fix	375.5	238.261
Afternoon fix	374.2	237.166
Day's high	376½-377	
Day's low	*373½-374*	

Coins	$ price	£ equivalent
Mapleleaf	385-390	244-247
Britannia	385-390	244-247
US Eagle	385-390	244-247
Angel	385-390	243⅝-246⅞
Krugerrand	373½-376½	236½-238½
New Sov.	88¼-89¼	55¾-58½
Old Sov.	88¼-89¼	55¾-56½
Noble Plat	508.55-516.65	321.85-327

Silver fix	p/fine oz	US cts equiv
Spot	342.05	540.25
3 months	354.35	553.50
6 months	366.75	566.05
12 months	*389.95*	*590.35*

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	*Jul*	*Sep*	*Jul*	*Sep*
1850	141	123	16	54
1950	74	73	48	102
2050	32	39	105	166
Copper (Grade A)	**Calls**		**Puts**	
2400	116	158	30	80
2500	59	109	72	138
2600	25	72	137	199

LONDON FOX TRADED OPTIONS

Coffee	Jul	Sep	Jul	Sep
1150	63	98	3	58
1200	26	73	16	83
1250	13		53	
Cocoa	**Jul**	**Sep**	**Jul**	**Sep**
750	29	57	9	17
800	6	29	36	39
850	1	13	81	73

US MARKETS

IN THE METALS, sideways action was featured in the gold, silver and platinum markets, reports Drexel Burnham Lambert. Gold prices fell from scattered profit taking. Silver gained slightly on continued overseas buying. Platinum followed the gold again. Copper opened up higher on short covering and elected buy stops, *then remained firm.* In the softs, sugar gained on light speculative and commission house buying. Cocoa was lower from steady trade selling. Coffee was slow as the market awaits news from ICO. The livestocks saw higher prices led by the bellies. Tuesdays report showed larger than expected movement from out of town warehouses. Live hogs were higher as the supply of market ready hogs is expected to decline soon. Cattle trading was mixed. The grain markets had lacklustre sessions with prices slipping on light professional selling. Wheat and corn futures posted the biggest declines. The energy complex *sank from heavy trade activity and* elected stop orders. News out of OPEC kept trading choppy. Commission *houses* were featured sellers in the cotton.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High	Low
Jun	378.1	379.9	380.2	374.5
Jul	378.1	380.5	0	0
Aug	380.8	383.2	384.0	378.5
Oct	384.8	387.2	388.0	383.6
Dec	388.9	391.4	392.2	386.8
Feb	393.0	395.6	394.0	391.0
Apr	397.2	399.9	400.0	397.0
Jun	401.5	404.2	404.5	401.0
Aug	405.8	408.5	408.0	408.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High	Low
Jul	508.5	511.2	513.9	508.7
Oct	509.8	512.7	515.0	508.5
Jan	511.1	514.2	516.3	510.2
Apr	514.6	517.7	519.0	515.2
Jul	519.3	522.4	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High	Low
Jun	548.4	543.1	0	0
Jul	550.0	547.0	555.0	539.0
Aug	554.5	561.5	0	0
Sep	559.5	568.4	565.0	549.1
Dec	572.5	569.1	578.0	562.0
Jan	576.4	573.0	0	0
Mar	585.0	581.4	589.0	575.0
May	593.9	590.3	598.0	596.0
Jul	603.0	598.4	602.0	596.0
Sep	612.1	608.5	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Jun 6	Jun 5	mnth ago	yr ago
1982.2	1996.7	2007.6	1909.0

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	131.73	131.64	138.21	140.30
Futures	131.66	131.36	136.79	142.90

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High	Low
Jun	108.85	106.50	108.80	108.80
Jul	109.65	107.30	110.60	108.70
Aug	109.05	108.70	0	0
Sep	108.45	106.20	109.00	107.70
Dec	108.35	103.90	107.00	105.50

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High	Low
Jul	19.80	20.46	20.39	19.80
Aug	19.10	19.71	19.70	19.00
Sep	18.73	19.29	19.25	18.60
Oct	18.42	18.94	18.95	18.34
Nov	18.27	18.70	18.60	18.20
Dec	18.05	18.51	18.42	18.08
Jan	17.85	18.34	18.19	17.88
Feb	18.10	18.21	18.05	18.05
Mar	17.90	18.09	17.90	17.90
Apr	17.90	17.99	0	0

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High	Low
Jul	4900	5100	5010	4870
Sep	4995	5176	5100	4976
Dec	5190	5330	5285	5150
Jan	5260	5370	5285	5240
Feb	5245	5300	5245	5245

COCOA 10 tonnes;$/tonnes

	Close	Previous	High	Low
Jul	1135	1161	1178	1125
Sep	1158	1190	1208	1147
Dec	1188	1220	1237	1183
Mar	1205	1239	1258	1203
May	1221	1257	1270	1213
Jul	1236	1273	1257	1240
Sep	1268	1298	1300	1265

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High	Low
Jul	128.33	128.56	129.80	127.75
Sep	124.35	124.28	125.10	123.60
Dec	121.08	122.34	122.90	121.00
Mar	121.17	121.68	122.15	120.25
May	123.00	120.50	123.00	120.75
Jul	123.00	121.50	0	0
Sep	121.50	121.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High	Low
Jul	11.33	11.17	11.38	11.22
Oct	11.40	11.28	11.45	11.29
Jan	10.72	10.60	0	0
Mar	11.04	10.97	11.07	10.95
May	11.03	10.98	11.03	10.98
Jul	10.97	10.90	0	0
Oct	10.88	10.81	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High	Low
Jul	62.95	63.83	64.70	62.68
Oct	64.40	65.00	65.80	64.00
Dec	64.00	64.67	65.95	63.40
Jul	67.40	68.22	67.40	67.40

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High	Low
Jul	180.10	180.55	182.40	179.00
Sep	176.05	178.85	178.10	176.00
Nov	163.15	164.00	164.75	163.05
Jan	158.65	159.05	159.00	157.60
Mar	157.90	158.55	158.00	158.00
May	157.35	157.95	0	0
Jul	157.35	157.95	0	0
Sep	157.35	157.95	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High	Low
Jul	711/0	714/0	714/0	708/0
Aug	685/4	688/2	689/2	683/2
Sep	647/6	650/6	651/4	645/4
Nov	631/0	633/6	634/0	627/4
Jan	640/2	643/2	643/0	637/0
Mar	650/0	652/6	652/4	647/0
May	655/6	658/4	658/0	653/0
Jul	656/0	659/0	658/0	654/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High	Low
Jul	21.16	21.42	21.43	21.15
Aug	21.40	21.68	21.68	21.40
Sep	21.59	21.86	21.86	21.55
Oct	21.73	22.05	22.05	21.73
Dec	22.05	22.38	22.34	22.05
Jan	22.17	22.55	22.45	22.15
Mar	22.65	22.80	22.85	22.65
May	22.72	23.00	22.70	22.75

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High	Low
Jul	207.3	208.5	209.0	205.6
Aug	200.2	201.8	201.8	198.5
Sep	193.2	195.0	194.5	191.5
Oct	186.7	188.5	187.5	184.5
Dec	184.7	186.7	0	183.0
Jan	184.5	186.5	185.5	183.5
Mar	184.2	185.5	185.5	183.6
May	184.0	186.2	185.0	184.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High	Low
Jul	257/2	261/2	260/2	256/6
Sep	240/6	242/6	242/2	239/4
Dec	238/6	238/4	239/0	235/4
Mar	244/4	246/4	245/4	243/4
Jul	249/2	251/0	251/0	249/0
Sep	236/0	238/4	0	0
Dec	237/0	237/0	237/4	235/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High	Low
Jul	382/0	388/2	0	381/4
Sep	390/6	396/0	395/0	389/0
Dec	403/6	409/6	408/0	403/4
Mar	409/6	416/0	414/4	409/4
May	401/4	406/0	405/0	401/0
Jul	369/4	371/0	371/0	368/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High	Low
Jun	68.82	68.82	69.07	68.55
Aug	67.92	67.67	68.40	67.60
Sep	68.77	68.60	68.77	68.30
Oct	70.82	70.82	71.02	70.45
Dec	71.52	71.27	71.60	71.07
Feb	71.50	71.30	71.50	71.05
Jun	70.50	70.50	70.60	70.50

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High	Low
Jun	48.52	48.15	48.75	48.05
Jul	47.65	47.20	47.80	47.15
Aug	45.55	45.25	45.75	45.20
Oct	42.15	41.95	42.30	41.85
Dec	44.30	44.20	44.55	44.20
Feb	45.92	46.05	46.32	45.80
Apr	43.75	43.60	43.85	43.50
Jun	47.35	47.15	47.35	0

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High	Low
Jul	31.77	30.45	32.45	30.12
Aug	31.85	30.72	32.70	30.45
Feb	47.52	47.72	48.85	46.85
Mar	46.75	47.20	47.15	46.50
Jul	48.40	48.40	0	0
Aug	48.05	48.05	0	0

LONDON STOCK EXCHANGE

Electronics active after US bid news

CORPORATE developments on the other side of the Atlantic enlivened electronics shares yesterday in a UK stock market otherwise still subdued by the drama unfolding in China. The $6.5bn bid by McCaw Cellular Communications for LIN Broadcasting, the US cellular radio network, reverberated in London, inspiring a further revaluation of Racal Telecom and Racal Electronic, and alerting traders to the prospect of US interest in London.

The UK market was also helped by signs of an easing in Federal Reserve credit policies. Concerns over domestic interest rates again receded somewhat as the pound held steady ahead of a speech on the UK economy by Mr Nigel Lawson, the UK Chancellor of the Exchequer, in the House of Commons.

Account Dealing Dates

*First Dealings:		
May 22	Jun 5	Jun 19
Option Declarations:		
Jun 1	Jun 15	Jun 29
Last Dealings:		
Jun 2	Jun 16	Jun 30
Account Day:		
Jun 12	Jun 26	Jul 10

*New time dealings may take place from 9.00 am two business days earlier

The session started well, with the FT-SE Index quickly moving ahead as the twin Racal companies rose sharply in heavy trading. However, the advance lost steam as reports reached London of civil disturbances in Hong Kong, although these later proved to have been exaggerated. The market soon rallied.

Confidence gathered strength as the time for Wall Street's opening drew nearer, and after New York came in true to expectations London closed at the day's best level. The final reading showed the FT-SE Index at 2,117.9, a net 10.5 points up on the day. The best gains were in the US-orientated issues, with both Racal stocks standing out strongly and BAT Industries, Rank Organisation and Thorn/EMI very firm.

Traders detected selective buying by UK institutions in the first hour of business, but it was the US houses that provided the impetus in the second half of the session. Seaq volume of 481m shares compared with 445.8m on Tuesday.

The firecracker activity in electronics, which took in British Telecom, holder of a 22 per cent stake in McCaw Communications, masked a fairly cautious performance from the broader range of the market. Retail clients were again "buyers for choice", said several trading houses.

With the dollar's prospects less certain in view of the prime rate cuts and apparent slackening in Federal reserve policy, some dollar earning stocks, including Glaxo and General Accident, were easier. Higher gold prices in New York and London proved little help to Consolidated Goldfields which shaded lower in minimal trading – still overshadowed by the outcome of the defeated, but powerful, assault from Minorco.

The UK market appears to have recovered from the worst of last week's panic over prospects for sterling and for domestic interest rates. However, London market remains highly sensitive to adverse developments in China and Hong Kong.

FINANCIAL TIMES STOCK INDICES

	Jun 7	Jun 6	Jun 5	Jun 2	Jun 1	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	84.59	84.43	84.43	84.61	84.88	89.78	89.28 (6/2)	84.43 (5/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.98	96.14♣	96.26	96.23	96.37	96.21	99.59 (16/3)	95.93 (4/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1758.2	1753.0	1737.0	1745.5	1745.6	1455.2	1837.5 (19/5)	1447.8 (3/1)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	190.1	180.7	175.6	171.4	171.5	232.5	196.1 (28/3)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)

	Jun 7	Jun 6	Jun 5	Jun 2	Jun 1	Year Ago
Ord. Dl. Yield	4.53	4.54	4.58	4.56	4.56	4.53
Earning Yld %(full)	10.97	10.99	11.10	11.04	11.04	11.64
P/E Ratio(Net)(☆)	11.04	11.02	10.91	10.97	10.97	10.51
SEAQ Bargains(5pm)	24,857	24,895	24,555	31,561	25,853	22,847
Equity Turnover(£m)†	-	1148.76	1210.90	1633.45	1429.00	1006.66
Equity Bargains†	-	27,360	28,511	33,112	29,460	25,334
Shares Traded (ml)†	-	456.3	426.0	611.1	522.5	416.5

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1759.7	1755.4	1752.6	1751.4	1753.4	1757.3	1758.6	1758.8

DAY'S HIGH 1758.8 DAY'S LOW 1749.2

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35. Gold Mines 12/9/55, SE Activity 1974, ☆Nil 10.94 †Excluding intra-market business. ♣ corrected figure.

S.E. ACTIVITY

Indices	Jun 6	Jun 5
Gilt Edged Bargains	95.8	104.7
Equity Bargains	177.3	184.7
Equity Value	2321.9	2447.5
5-Day average		
Gilt Edged Bargains	112.4	112.6
Equity Bargains	190.0	192.6
Equity Value	2834.6	2882.2

London Report and latest Share Index: Tel. 0898 123001

Cellular radio bonanza

News of the proposed $6.5bn bid for LIN Broadcasting from McCaw Cellular Communications, one of the largest of the US cellular radio groups, triggered another "blue sky" performance from the successful Racal twins, Electronics and Telecom. The multi-billion dollar bid was interpreted as an excuse for yet another re-rating of the Racal stocks which control the Vodafone cellular radio system.

Dealers marked the pair sharply higher, with Electronics touching a record 576p, before reacting on profit-taking to close a net 52 up at 558p. Telecom were bid up to an all-time peak of 555p, but ended the session 40 higher at 519p. Turnover was 22m and 2m respectively.

Mr John Tysoe, the electronics analyst at Shearson Lehman Hutton and a Racal bull since the Telecom flotation last October, said the McCaw offer put a value of $303 per head of population in LIN's catchment area. Transferred to Racal, this rating gave a target price of £11 share on Telecom, with that for Electronics coming out at £15. "Institutions should still be buying the stocks," he said; "the opportunities in cellular are far greater than most appreciate."

Other were more guarded about valuations. "They are out of hand; US funds are still buying the Racals, but few UK institutions are prepared to buy at these levels," said one. British Telecom, which will pay £850m for a 22 per cent stake in McCaw, jumped 6 to 260½p on turnover of 12m; "BT's purchase of the McCaw stake at an effective $138 per head of population is now looking pretty cheap," said another sector specialist.

Gas glow

British Gas attracted strong support, with the shares closing 4½ higher at 180½p on turnover of 14m shares, ahead of the preliminary results expected at 9 am today.

Dealers said the shares had recovered strongly after hitting a relative low against the market only last week. "Income and short-term trading funds have been buying the stock on expectations of a good final dividend," said one trader, who added that there was talk in the market of a final dividend of perhaps 7p against most forecasts of 6.25p.

"After a pretty poor year, the new chairman could well be looking to make a bright start and what better way than via the dividend," the dealer said. The market is also expecting a bullish statement from the company. The oil team at County NatWest are forecasting net income of £840m on a historical cost basis, at the lower end of a market range of £840-£870m. They are going for a final of 6.25p which would give a yield of 4.8 per cent.

Down the field

Reed International was an also-ran in yesterday's market as investors shied away from the trading statement. Annual profits of £271m disappointed most analysts. Some downgraded estimates for the current year and the shares fell 17 to 387p.

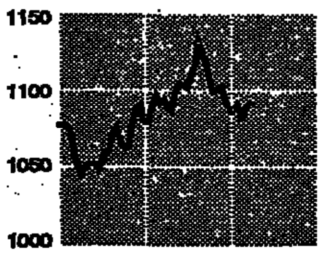
Mr Peter Davis, Reed's chief executive, agreed the profits figure above the line was "slightly behind expectations," stressing that the real benefits were "lower down the sheet." "Its been very difficult for the analysts to follow us. They haven't caught up with everything that's going on", said Mr Davis – a view disputed in the City.

After reviewing the full range of Reed's operating divisions, Mr Tim Rothwell of BZW concluded that the profits performance highlights another drab performance by Reed's Octopus subsidiary and overall organic growth of around 12 per cent. Opportunities to improve margins seem relatively limited, continued Mr Rothwell, who reduced his profits estimate for the current year from £300m to £285m pre-tax.

However, Ms Angela Bawtree of Warburg Securities was more optimistic. "The market has looked only at the face value of the figures. The company is positive and I'm only shaving my forecast to £290m," she said.

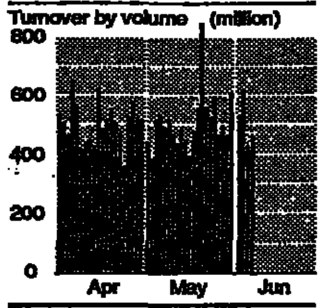
A push from the banks team at Citicorp Scrimgeour Vickers saw Lloyds Bank move up 4 to 349p on turnover of 1.5m shares. In a review of lesser developed country debt, Ms Sophia Krakowian said, "Lloyds can provide 100 per cent against the Latin American portion of their total debt and still maintain the unofficial accepted level of 4 per cent equity to assets ratio." She reiterated Citicorp's "switch out of Midland into Lloyds" view.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



Guardian Royal Exchange dipped 3 to 199p after hints of profits downgradings.

Interest was more evenly spread in the brewery sector with Bass attracting small institutional support and rising 13 to 950p. Tuesday's star Scottish & Newcastle still had followers and closed 2 up at 315p while Guinness added 4 at 490p.

Rolls-Royce climbed 4 to 194p when it was revealed that registration of new Rolls shares issued to former shareholders in NEI had increased the issued ordinary share capital by 14 per cent. This dilutes the level of foreign shareholding to 13¼ per cent, compared with the limit of 15 per cent, and therefore allows foreigners to buy more. The turnover volume of 6.8m reflected such increased buying. "The surprise was only that some in the market had not discounted this," said Mr Pete Deighton, analyst at County NatWest WoodMac.

Profit-taking took a toll on British Aerospace after recent strong rises. The stock touched 680p at one point before recovering to 690p, a net fall of 3.

Camford Engineering climbed 4 ahead of the announcement of a 40 per cent improvement in six month profits figures, and added another 4 afterwards to close at 282p. Markheath, which has a 24 per cent stake in Camford, has been a continual buyer of the stock, explained a dealer. A positive chairman's statement boosted Glynwed 5 to 295p.

Worries that the MBO may fail – it closes on Friday – saw Magnet dip 6 to 277p but news of the bid for a Swiss cement companies boosted Rugby, which ran up 7 to 212p.

Anglia Secure Homes lost 14 more to 198p, still upset by worries about falling sales.

Foseco leapt 40 to 357p after news of the 4.4 per cent stake held by the Scharf brothers triggered a rash of takeover stories. The near £22m-worth of deals announced yesterday boosted interest in MTM which settled 19 up at 216p.

Ward White raced up late in the session to close 12 firmer at 313p; "It's curious, the buying starts when Wall Street opens," said one dealer who mused on the possibility of Mr Asher Edelman, the US arbitrageur building a stake in the UK retailer.

The activity in the Racals by no means overshadowed the rest of the electronics sector where there were big turnovers in Cable & Wireless, GEC and Ferranti. C & W slipped 5 to 460p on 10m with dealers taking the view that the stock will "remain wobbly" for some time after the upheavals of recent weeks; "they are a bit of a gamble," said one trader.

Tuesday's Kleinwort Benson downgrading of Ferranti saw the shares fall a further 2¼ to 95p on turnover of 7m. GEC, where the market is waiting for the next moves in the bid battle for control of Plessey, moved up 5 to 240p on turnover of 6.9m.

Thorn EMI jumped 19 to 720p after the company commented on its strategy of concentrating on its core businesses of rentals, music and lighting.

The £200m contract to provide power systems for the Channel Tunnel boosted BICC 7 to 516p, while the excellent preliminary figures triggered demand for Electrocomponents which jumped 13 to 208p.

Unigate rose 9 in good volume of 4.5m shares to 389p, ahead of the annual figures on Monday. There were suggestions that Mr Larry Goodman, the Irish entrepreneur, was adding to his stake of just under 9 per cent.

Tuesday's purchase by French group BSN for Nabisco's European business continued to help United Biscuits which now has no need to raise cash to bid itself. UBI added 6 at 343p.

Hazlewood Foods posted full-year profits 37 per cent better, not enough to please the market, and the shares slid from a peak of 267p to close at 262p, a net decline of 2.

Rank Organisation firmed ahead of an analysts' presentation at the Bognor Regis Butlins. "It's a megatrip," said one dealer. "You don't take them all down there to tell them a bearish story." The stock was duly marked up 17, in thin volume, to 959p.

Hotel group Stakis put in a strong performance, rising 4 to 108p. Dealers dismissed vague takeover talk as groundless, and the third top boardroom change in 18 months as a coincidence. Instead they said interest had been stimulated by a bullish morning meeting presentation by Mr Paul Slattery, analyst at Kleinwort Benson Securities, and a subsequent stock shortage. Mr Roy Owens, leisures analyst at Kitcat & Aitken, said that the demand was justified, pointing out that Stakis has a low gearing, is rated below the sector average and is looking cheap against other hotel stocks.

Advertising agency WCRS lifted smartly to close at 271p, a rise of 8. The immediate cause was a circular from Mr Mark Shepperd, agencies analyst at UBS Phillips and Drew, saying that the company was worth at least 330p a share. He thinks it likely that WCRS will float off its French unit, Carat. This would be worth around £3 a share alone, he says, and would be an effective move to counter WCRS' high gearing. He changed his recommendation from a hold to a buy.

The market welcomed Jaguar's change of strategy – the group is to offer limited financial incentives to customers in the US – with a rise in the shares of 5 to 350p. Lex Service, on the other hand, dropped 9 to 369p following continuation last month of the disappointing trend in Volvo car sales in the UK.

Property leader were out of the action, although MEPC rose 8 more to 571p, as attention turned to stocks long-rumoured as bid possibilities. Randsworth Trust were outstanding with a jump of 17 to 299p while Helical Bar advanced 9 to 341p and Evans of Leeds improved 6 to 216p. A Citicorp Scrimgeour Vickers recommendation continued to draw buyers to Imry Merchant, up 5 more at 468p, but switch advice from BZW ended the recent run of Sheraton Securities, down 2 at 88p.

Management consultancy Doctus returned from suspension as it revealed interim results up 27 per cent and details of its proposed merger with Prospective Group, formerly Pineapple. Doctus dropped to 130p, compared with the suspension price of 135p, before recovering to 137p. USM-quoted Prospective slipped 2 to 64p.

Securicor, and 51 per cent owned subsidiary Security Services, were boosted by the $6½bn cellular radio bid in the US. The two companies between them own 40 per cent of Cellnet, which has 45 per cent of the UK cellular market. Securicor jumped 70 to 1025p while Security Services climbed 63 to finish on 813p.

Amersham International added 6 at 491p ahead of final figures on June 14.

A sell note from County NatWest WoodMac saying that Inchcape will suffer as the Hong Kong economy is adversely influenced by the crisis in China thwarted any recovery and the stock shed another 2 to 251p. Polly Peck, too, lost fresh ground, touching 267p before rallying to close little changed on the day at 273p. County maintains the group is affected to a "much less degree" by the political turmoil in China.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 26

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	3,000	172		Cookson	763	328		Laporte	20	434	+2	Royal Bk of Scotland	283	378	-1
Allied-Lyons	699	432	-1	Courtaulds	678	331	+½	Legal & General	961	324	+4	Royal Insurance	425	390	-3
Amstrad	1,000	93	-1	Dalgety	364	360		Lloyds Bank	1,500	349	+4	STC	1,500	345	
Argyll Group	2,500	283	-1	Dixons	759	146	-1	LASMO	836	461	-1	Saatchi & Saatchi	92	309	
Ass. Brit. Foods	266	362	+5	Eng. China Clays	1,700	459	-7½	Lonrho	586	270	-1	Sainsbury	2,000	246	+4
BAA	391	355	+1	Enterprise Oil	19	536	-1	Lucas	732	623	-6	Scott & Newcastle	1,700	315	+2
BAT Inds.	6,100	684	+11	FKI Babcock	1,100	178	+3	MB Group	129	199		Sears	1,900	120	+½
BET	787	278	-1	Fisons	854	383	-1½	MEPC	276	571	+8	Shell Transport	4,400	408½	+2½
BICC	927	516	+7	Gateway Corp.	6,100	207½	+2	Marks & Spencer	1,700	185	+1	Siebe	188	581	
BOC	1,900	473½	-5½	General Accident	249	935	-9	Maxwell Comm.	4,600	187		Slough Ests	73	315	+2
BPB Inds.	645	238	+½	General Elect.	6,900	240	+5	Midland Bank	1,550	345		Smith & Nephew	4,800	132	+½
BTR	690	365	+2	Glaxo	864	1350	-5	Nat. West. Bank	422	579	-1	Smiths Industries	164	388	+3
Barclays	2,400	449	+2	Globe Inv.	1,100	176	+½	Next	330	144		Standard Chartered	705	534	+8
Bass	372	950	+13	Glynwed Int.	1,700	295	+5	Northern Foods	1,000	383	+1	Storehouse	1,400	155	
Beecham	1,500	611	+3	Granada	730	337	-4	Pearl	360	448	+3	Sun Alliance	31	1091	
Blue Circle	1,800	563	+8	Grand Met.	1,400	539	-3	Pearson	63	695	+1	T&N	1,500	234	
Boots	3,600	287	+2½	GUS A	135	1025	-1	P & O	487	652	+2	TSB	1,700	185	
Brit. & Comm.	743	177	+2	GRE	4,600	199	-3	Pilkington	1,500	226		Tarmac	2,100	322	+5
Brit. Aerospace	1,400	690	-3	GKN	256	396	-4	Plessey	760	262	-1	Tate & Lyle	733	255	
British Airways	2,600	193	-3	Guinness	660	490	+4	Polly Peck Intl.	2,300	273	+1	Taylor Woodrow	229	647	+4
British Gas	13,900	180	+4	Hammerson "A"	55	786	+2	Prudential	1,200	179½		Tesco	1,400	179	+3
British Land	529	357	+1	Hanson	4,000	197½	-1	RHM	1,050	440	-2	THORN EMI	2,000	720	+19
BP	2,800	287½	-½	Harrisons & Cros.	2,000	166½	-4½	RMC	86	744	+4	Trafalgar House	113	362	-1
British Steel	7,200	88½	-½	Hawker Siddeley	321	708	+3	RTZ	893	499		Trusthouse Forte	1,200	321	-1
British Telecom	11,550	260½	+6	Hillsdown Hldgs.	4,300	277	+4	Racal	22,000	558	+52	Ultramar	1,000	298½	-½
Burmah Oil	580	577	-1	IMI	361	229	+1	Rank Org.	917	959	+17	Unilever	2,000	545	
Burton	1,800	217	+4	Imp. Chem.	341	1265	-13	Reckitt & Colman	231	1127	+9	United Biscuits	2,600	343	+6
Cable & Wireless	7,800	460	-5	Inchcape	733	251	-2	Redland	415	583	+5	Utd. Newspapers	270	436	+4
Cadbury Schweppes	2,200	354	+2	Jaguar	953	358	+6	Reed International	2,700	387	-17	Wellcome	1,000	432	-1
Carlton Comms.	231	850	+2	Kingfisher	880	308	+4	Reuters	695	783	-2	Whitbread "A"	102	349	-1
Commercial Union	756	368	-2	Ladbroke	1,300	507	+2	Rolls Royce	6,800	194	+4	Williams Hldgs.	270	247	+1
Cons. Gold Fields	399	1210	-3	Land Securities	630	570	+3	Rothmans	160	519	-3	Wimpey	542	279	+5

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (123).

LOANS (2) AMERICANS (11) CANADIANS (4) BANKS (2) Reflex, Rothschild (J), BREWERS (3) Macdonald Martin "A", Marston Thompson, BUILDINGS (1) Marshalls, CHEMICALS (5) Astra, Foseco, MTM, Novo Inds. "B", Rechem Envmtl. Servs., STORES (8) Asprey, Body Shop Intl., Liberty, Smith (W.H.) "A", Ward White Cv Pf, ELECTRICALS (8) ENGINEERING (6) Atlas Conv. Eq., Fairey, Jones & Shipman, Tellos, Thyssen, FOODS (10) INDUSTRIALS (16) Alfa-Laval AB "B", Amer. Bus. Systems, Aukett Assoc., Astra AB, Baspak, Bridon, Cape Inds. 8.4pc Pf, Colorgen, Grafton, Handley-Walker, Lincoln House Wrrnts., Reliance Sec., Securicor, Do. "A", Securiguard, Security Services, T&N, W.A. Hldgs., Wilkes (J), INSURANCE (3) American Intl., American Gen., USF & Gen., LEISURE (2) Boosey & Hawkes, Intl. Media Comms., PAPERS (3) Aosis, More O'Ferr., Scott Paper, PROPERTY (2) Evans of Leeds, Randsworth Tst, SHIPPING (1) Runciman (W), TOBACCOS (1) BAT Inds., TRUSTS (15) OILS (7) OVERSEAS TRADERS (1) GN Great Nordic, MINES (12) THIRD MARKET (3) Poddington, Seacon, Whitegate Leisure Wrrnts.

NEW LOWS (35).

LOANS (2) FOREIGN BONDS (1) Ireland 9¾pc 1991/96, CANADIANS (2) Spiral Eng., Tara Pure Tech., BUILDINGS (4) Anglia Sec., Baldwin, Prowting, Travis Perkins, STORES (2) Brown (N), Colorvision, ELECTRICALS (2) Nth. Telecom, Ross, ENGINEERING (1) SKF AB, INDUSTRIALS (6) Cannon St. Invs., Dolphin Pack., Lep, Pergamon, Wills, INSURANCE (1) Hogg Rob. & Gardner, MOTORS (1) March, PAPERS (3) Filofax, Katson, VPI, PROPERTY (2) Prop. Co of London, Warner Estates, TEXTILES (3) Atkins Bros., Lowe (Robert H.), Palma, TRUSTS (3) Dominion Int., Scot. Nat. Stppd. Pf., Smith New Court, OVERSEAS TRADERS (1) Polly Peck, MINES (2) Anglo American, Wankie Col.

APPOINTMENTS

Chairman of Grampian

■ Mr Douglas Hardie takes over as chairman of GRAMPIAN TELEVISION on June 21 when Sir Iain Tennant retires at the annual meeting. Mr Hardie, deputy chairman of the Scottish Development Agency, has been on the Grampian board since 1984. He is chairman and managing director of his family textile business of Edward Parker & Co, and D.G. Scott Textiles, both of Dundee, his native city.

Mr Robin Aspinall, formerly chief economist at Schroder Securities, will join HOARE GOVETT as currency economist on July 10.

■ GODSELL, ASTLEY & PEARCE (STERLING) has appointed Mr Geoffrey Finn as financial consultant. He was a partner of Rowe & Pitman, and a director of S.G. Warburg Securities.

■ Mr Christopher Bisco, commercial director, has been promoted to deputy managing director of PORTSMOUTH PUBLISHING AND PRINTING, which prints The Independent, The Observer, and local newspapers.

■ Mr David Hine, chairman of Vitafoam, has been appointed president of trade body EUROPUR.

■ Major General David Pank has been appointed chief executive of NEWBURY RACECOURSE COMPANY, succeeding Mr Frank Osgood, general manager, who is retiring. General Pank, who is director of infantry, takes up his new post on leaving the army early next year.

■ Mr Derek Dawson has been appointed chairman of EATON, UK subsidiary of Eaton Corp, US. He continues as vice president, Eaton Truck Components Europe, and succeeds Mr John S. Rodewig who has returned to headquarters in Cleveland, Ohio. Mr Alan E. Best, has been appointed a director of Eaton, and continues as managing director operations, Eaton Truck Components Europe.

■ Mr Neville Taylor, director general of the Central Office of Information and head of the Government Information Service until the end of last year, has been appointed principal associate of DEFENCE PUBLIC AFFAIRS CONSULTANTS.

■ Mr Brian Madden has joined PRINCETON GROUP as financial controller. He was with Peat Marwick McLintock.

■ Mr Robert Crosthwaite, director and general manager of Abels of East Anglia, has been elected president of the BRITISH ASSOCIATION OF REMOVERS.

B&Q has appointed Mr David Bremner (above), formerly with Sainsbury's Homebase, to the new post of director of logistics.

■ Mr Nick Watson has been appointed marketing director of EUROFI. He was export sales manager for a division of BTR.

■ Mr Des Hetherington has been appointed sales and marketing director of AIR EUROPE, and Airlines of Europe. He was managing director of GB Airways.

■ Mr Gerard Velu has been appointed director of engineering at RENAULT TRUCK INDUSTRIES, Dunstable. He was chief engineer, research and development heavy truck range, and succeeds Mr Peter Willmer who is taking early retirement.

■ Mr Mel Hawley, executive director, has been promoted to managing director of HADEN MACLELLAN HOLDINGS. Mr Brian North, chairman of the recently acquired WA Holdings, joins the board of HMH.

■ Mr J.R. Dockery, south east regional managing director of Alfred McAlpine Construction, has been appointed to the board of ALFRED McALPINE CONSTRUCTION HOLDINGS.

■ Mr Carl Openshaw joins DOMINION INTERNATIONAL GROUP as managing director on July 1. He was with The Guthrie Corporation until its takeover by BBA Group last year.

■ Mr Andrew Love has joined the board of LEISURE INVESTMENTS, and becomes chairman and chief executive of the casinos division.

■ WATERS LUNNISS AND CO, stockbroking division of the Norwich and Peterborough Group, has appointed Mr Paul Snow as an associate director. He was with Henderson Crosthwaite.

■ Mr Graham Guyett has been appointed managing director of HARRIS/3M, Wokingham. He was UK marketing manager.

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	54 87	55.45	58.99	-0.17	4.64
Gilts & Fixed Int	6	108 8	108 8	115.3	+0 2	8 67
High Inc Equity	6	132.7	135.5	144.2	+3.8	4.40
Worldwide Bond	6	201.5	201.5xd	213 5	+0.3	4 54
Capital Growth						
American Growth	6	189.3	191.3	203.6	-0 7	1.22
Asian Pacific	6	91 20	91.20	97.55	-0 19	0 72
Assets & Earnings	6	158 6	158.6xd	169.7	+1.4	1.53
Capital Reserve Acc	0	84 89	84 89	84 95	+0 04	4.71
Commodity & Energy	6	100 7	100 7	107 8	+0 9	0 97
1992 Enterprise	6	57 73	58.82	62 58	+0.19	2 88
European Capital	6	85 94	86.62	92 15	+0.82	0 81
General	6	175 4	178.3	189.7	+2.2	2 37
International		47.20	47.20	50 02	-0.03	1.00
Japan	6	107 8	107.8	115.3		0 00
Mastertrust	6	85.36	85.36xd	91 30	+0.32	1.57
UK Growth Acc	6	199 8	199 8	213 7	+0 6	1.05
UK Growth Dist	6	133 2	133 2	142 5	+0.3	1.58
US Emerging Cos	6	56 75	58 49	62.23	-0 71	0.00
Income & Growth	6	290 30	290 3xd	310.5	+4 7	3.30
Ethical	6	48 32	49.5xd	52.73	+0.43	2.37

Abtrust Management Ltd (1000)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Amer Inc & Growth	5	31 34	31 34xd	33.45	-0.19	3.39
European	5¼	63 05	63.20	67 47	+0.32	0 00
European Income	5¼	62 64	62.64xd	66 86	-0 08	5 35
Exempt	1	801 6	801.6	836 6	+9 60	2.27
Extra Income	5	42 52	42 52xd	45.39	+0 50	5 04
F Env Emerg Econs	5¼	43 35	43 35	46.43	-0.26	0.92
Fund Inv Tst	5	120.9	120 9	129 1	+0.90	2.54
Do Accum	5	188 3	188.3	201 1	-0 80	2.56
Gilt & Fixed Int	5¼	21.19	21.19xd	22.62	+0 06	10 77
Income & Growth	5¼	72 46	72.46	77.35	+1.02	4 28

[illegible]

CCL Unit Trusts Ltd (1400)F
74 Shepherds Bush Green, W12 8SD 01-740 7070

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK General Tst	5½	54.02	54 88	58.69	+0.66	2.70
Global Tst	5¼	43.52	43 99	47 05	+0 05	2.30
Recovery Tst	5½	53.27	55.43	58 97	+0 71	1.92

CIBC Unit Tst Managers plc (1200)H
Cottons Ctr, Cottons Lane Ldn. SE1 2QL 01 234 6000

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Fd Acc	5	107.2	108.5xd	114.5	+0 9	3.28

CS Fund Managers Limited (1000)F
125 High Holborn, London WC1V 6PY 01-242 1148

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
CS America	5	62.07	62 07	66.03	-0.52	0.66
CS International	5	56.16	56 16xd	59 74	+0 18	1 79
CS Japan	5	122.7	122.7	130.5	-1 2	0 34
CS Portfolio Inv ♦	5	71.53	71.53xd	76 09	-0.02	1.48

Canada Life Unit Tst Mgrs Ltd (1200)F
2-6 High St, Potters Bar, Herts 0707 51122

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Can Gen Dist	5	138 9	143.9	151.5	-0 90	3 05
Do Gen Accum	5	231.7	240.1	252.8	+1 60	3 05
Do Income Dist	5	93.21	97 01xd	102 1	-0 60	5 52
Do Inc Accum	5	223.5	227.2	233 9	+1.30	5 52
Gilt & Fxd Int	5	35.64	35 70	37.58	+0.14	8.54

Cannon Fund Managers Ltd (0760)H
1 Olympic Way, Wembley, HA9 0NB
01-902 8876 Dealing: 0800 282621

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth	5½	37 84	38 03	40.63	+0.47	2.51
Income	5½	47 57	47 85	51.18	+0 75	4 04
Far East ♦	5½	35 22	35 47	38.15	-0 16	0.06
North American ♦	5½	35 82	36 41	38 73	-0 34	1 85
Global ♦	5½	50 18	51 14	54 40	-0 30	1 80
European	5½	53 55	54.39	57 86	-0.25	0 93
Japan ♦	5½	102.8	104 1	111.3	-0 90	0.01
Intl Currency Bd	5½	42.96	42 96	45 57	+0 10	6.58
Strategic Opps.	5½	53 83	54 59xd	58 39	+1.62	1.27

Capability Trust Mngrs Ltd (1200)F
Admin, 5 Rayleigh Road, Hutton, Brentwood, Essex
Enquiries 0277 227300 Dealing 0277 261010

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American & Gen	5	77 96	78 66	83 68	-0 19	1 71
(Accum Units)	5	81 40	82.13	87 37	-0 20	1 71
European Inc	5	54.50	54.50	57 98	+0.30	0 93
(Accum Units)	5	55 18	55 18	58.70	-0.30	0.93

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Midland Personal Pension Unit Trust *

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Money Market UT	4	49 08	49.09xd	51 04	+0.01	10 82
North American	6	124.9	125 0xd	133 7	-1 3	0.39
(Accum Units)	6	154.3	154 3	165.0	-1.6	0.39
Smaller Cos	6	182 7	182.8	195.5	+0 2	1.30
(Accum Units)	6	202.6	202.6	216.7	+0.1	1.30
Meridian Income	6	107.1	108.1	115 6	+0.4	3 72
(Accum Units)	6	109.9	110 8	118.58	+0.3	3.72
Meridian Growth	6	115 5	116.2	124 3	+0.5	1.52
British	6	56.36	56.98	60.62	+0.4	2.31
European Growth	6	56 57	56.70	60.32	+0.57	0.39
Gilt & Fixed	6	49.22	49.22	52.36	+0.15	8.67
Income	6	53.51	54.36	57.83	+0.40	3.57
Japan Growth	6	55.64	55.99	59.56	+0.17	0.00
Managed	6	54 76	55 60	59.15	+0.25	1.64
Money Market	6	52.31	52.31	55 44	+0 01	10.80
North American	6	58.48	59.59	63.39	-0 63	0.39

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK Equity Acc	5	81 68	81.68xd	88.15	+0 97	3.12
European Inc	5	110.2	110.20xd	117 90	-0 1	0.61
European Acc	5	114.10	114 10xd	122.10	-0 1	0.61
Nth American Inc	5	65 52	65.52	69.64	-0.22	1.44
Nth American Acc	5	67.94	67.94	72.22	-0.22	1.44
Japan Inc	5	113.90	113.90	121.80	-0 2	0.00
Japan Acc	5	114.10	114 10	122.00	-0.2	0 00
UK High Inc Eq Inc	5	71.54	71.54	77 28	+0.51	5 83
UK High Inc Eq Acc	5	79 46	79 46	85.84	+0.56	5.83
Hong Kong Inc	5	34.78	34 78	37.10	+1.32	3 60
Hong Kong Acc	5	35.99	35.99	38.39	+1.37	3.60
Swiss Equities Inc	5	35.41	35.41	37.96	+0.33	1.28
Swiss Equities Acc	5	35.71	35 71	38.29	+0.33	1.28
W'wide Bond Inc	5	51.72	51.72	54.62	+0.11	5.94
W'wide Bond Acc	5	53.40	53 40	56 40	+0.11	5.94
Emerging Asia Inc	5	76.86	76.86xd	82.43	-0.49	0.00
Emerging Asia Acc	5	76.86	76 86xd	82.43	-0 49	0 00

Provident Mutual Unit Tst Mgrs Ltd (0905)H
25-31 Moorgate, London, EC2R 6BA 01-588 3963

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
PM Equity Gth	5	122 0	123 8	131 7	+1.2	2 62
PM Income & Gth	5	102 9	104 7	111 3	+0 8	4 70
PM Nth Amer Gth	5	56 49	56 49	60 09	-0.49	1 35
PM European Gth	5	54 09	54 09	57 54	-0.10	0 77
PM Japan Gth	5	79 07	79 22	84 27	-0.34	0 29
PM Overseas Gth	5	52.99	52.99	56.37	[illegible]	[illegible]

Prudential Holborn Unit Tsts Ltd (1445)H
51-69 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377
Holborn Link Line 0800 010345

Smith & Williamson Unit Tst Mgrs (1000)F

Sovereign Unit Tst Mngrs Ltd (1000)F

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GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ▼ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

The most recent report and scheme particulars can be obtained free of charge from fund managers.
Other explanatory notes contained in last column of the FT Unit Trust information pages.

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

	Init Chge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD 01-405 8331						
Commol & Equity	5	62.89	65.74xd	69.93	----	6.87
European	5	63.12	63.43	67.47	----	2.09
Far Eastern	5	58.73	58.78	62.53	-0.42	0.76
Growth Inc	5	88.29	91.59	97.43	----	1.99
Growth Acc	5	88.29	91.59	97.43	----	1.99
Income Inc	5	83.76	85.62	91.08	----	4.78
Income Acc	5	83.76	85.62	91.08	----	4.78
Property Share	5	55.00	56.00	58.61	----	6.98
Smaller Co's	5	58.48	61.69xd	65.62	----	1.47
Formerly RBC Trust Managers Ltd						
Nth American	5	62.49	62.49	66.82	----	1.60
International	5	46.34	46.34	49.33	----	1.43
Wright Seligman Fund Mngrs Ltd (1000)H						
11 Blomfield St, London EC2M 7AY 01-588 0592						
Growth	5	109.99	109.99	114.99	----	6.23
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250						
Yorkshire General	5¼	63.03	65.46xd	69.64	+0.21	2.63
YUTM Int Eqty Inc Tst	5¼	59.88	61.04	65.79	+0.16	4.64
YUTM Intl Grth Tst 6	5¼	50.06	50.08	53.46	+0.28	1.02

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield
Baillie Gifford & Co Ltd				
Int'l Expn June 7	485.3	503.8	+5.2	-
Cent. Bd. of Fin. of Church of England‡‡				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Inv Fund May 31		515.45	----	4.75
Fxd Int Sec May 31		139.45	----	10.25
Deposit May 31		100.00	----	12.45
Charities Official Invest. Fund‡‡				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Income May 31		487.57	----	4.90
Accum May 31		1620.94	----	-
Edinburgh Fund Mngs PLC				
Exempt Funds				
American June 7	147.3	152.4	-0.3	1.49
Managed June 7	132.0	137.0	+0.6	2.10
Japan June 8	142.3	146.2	-0.2	0.14
Pacific June 2	460.8	473.5	+0.1	0.21
Sml Jap Cos June 2	272.8	280.3	+4.0	0.10

INSURANCES

	Bid Price	Offer Price	+ or -	Yield Gross
Allied Dunbar Assurance Plc				
Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514				
Fixed Int. Dep. Acc	260.3	274.1		-
Equity Acc	844.3	888.8	+2.3	-
Property Acc	493.4	519.4		-
Far East Acc	201.5	212.2	-0.3	-
European Acc	22.6	23.8	-0.2	-
Managed Acc	667.1	702.3	+1.4	-
Managed Cap	378.8	398.8	+0.7	-
O'seas Earnings Acc	565.2	594.5	+1.9	-
Gilt Edged Acc	306.5	322.7		-
American Equity Acc	465.0	489.5	+0.1	-
American Man. Acc	215.7	227.1	-0.1	-
American Prop Acc	149.0	156.9	-0.7	-
Pen. F. I. Dep Cap	286.9	302.1		-
Pen. F. I. Dep Acc	491.4	517.3	+0.2	-
Pen. Prop. Cap	580.5	611.1		-
Pen. Prop. Acc	1097.9	1155.1	-0.1	-
Pen. Man. Cap	826.9	899.9	+7.5	-
Pen. Man. Acc	1543.6	1624.9	+14.5	-
Pen. Gilt Edg. Cap	309.7	326.1	+0.1	-
Pen. Gilt Edg. Acc	478.9	503.5	+0.1	-
Pen. Eq. Cap	1338.0	1408.5	+13.6	-
Pen. Eq. Acc	1916.4	2017.3	+22.5	-
Pen. Am. Eq Cap	155.2	163.4	-0.6	-
Pen. Am. Eq Acc	187.3	197.2	-0.7	-
Pen. Far East Cap	279.6	292.3	+0.6	-
Pen. Far East Acc	289.2	304.5	+0.6	-
Pen. Euro Cap	25.6	27.0	+0.1	-
Pen. Euro. Acc	27.8	29.3		-
Pen. B.S. Acc	538.4	565.4	+0.2	-
Pen. B.S. Cap	323.3	339.5	+0.1	-
Pen. D.A.F. Acc	377.2	377.2	+0.1	-
Pen. D.A.F. Cap	254.2	254.2		-
Pen. Mortgage Cap	144.8	152.5		-
Pen. Mortgage Acc	174.8	184.1		-
Hartop Funds				
Pen Eqo Cap	28.3	29.8	+0.2	-
Pen Eqo Acc	29.4	31.0	+0.3	-
Pen Am Eq Cap	33.5	35.3		-
Pen Am Eq Acc	34.8	36.7		-
Pen Far East Cap	30.4	32.0	-0.3	-
Pen Far East Acc	31.5	33.2	-0.4	-
Pen Euro Cap	35.4	37.3	+0.2	-
Pen Euro Acc	36.9	38.9	+0.3	-
James Capel Funds				
Pen Eqo Cap	28.5	30.0	+0.2	-
Pen Eqo Acc	29.6	31.2	+0.2	-
Pen Am Eq Cap	32.8	34.6	+0.3	-

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

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Premium Life Assurance Co Ltd
37–39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or –	Yield Gross
American	133.0	140.0	-2.0	–
Building Soc. Fd	171.0	180.0	.....	–
Balanced	281.0	296.0	.....	–
European	172.0	182.0	+2.0	–
GT Managed	173.0	183.0	.....	–
Gartmore Mngd	115.0	122.0	.....	–
German	118.0	125.0	+1.0	–
Gilt	178.0	188.0	.....	–
Global	48.0	51.0	.....	–
High Inc	121.0	128.0	.....	–
International Equity	193.0	204.0	+1.0	–
Japan	235.0	248.0	.....	–
Managed	63.0	67.0	.....	–
Property	281.0	296.0	.....	–
R. W. Imperial Gold	146.0	154.0	.....	–
UK Equity	366.0	386.0	.....	–
Pension Funds				
American	153.0	162.0	.....	–
Building Soc. Fd	171.0	180.0	.....	–
Balanced	217.0	229.0	.....	–
European	170.0	179.0	.....	–
German	106.0	112.0	.....	–
Gilt	153.0	162.0	.....	–
International Equity	142.0	150.0	.....	–
Japan	137.0	145.0	.....	–
Managed	64.0	68.0	.....	–
Property	216.0	228.0	.....	–
UK Equity	329.0	347.0	.....	–

Prolific Life & Pensions Ltd
Stramongate, Kendall, Cumbria LA9 4BE 0539 33733
Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or –	Yield Gross
Life Funds				
Balanced Gwth Mngd	590.0	612.8	+0.6	–
Adventurous Mngd	126.2	133.0	+0.3	–
Secure Mngd	108.2	114.1	+0.3	–
Cash Fd	232.6	245.2	.....	–
Property Fund	285.4	303.7	.....	–
Equity Fund	658.0	700.0	+1.0	–
Fxd. Int. Fund	291.4	310.1	.....	–
International	300.9	320.2	+1.0	–
High Income	467.8	497.7	+2.6	–
Far East	402.7	428.5	-4.9	–

Prudential Holborn Pensions Ltd—Contd.

	Bid Price	Offer Price	+ or –	Yield Gross
Communications	103.5	109.0	+0.2	–
Smaller Companies	106.9	112.6	+0.6	–
International Small Co's	129.5	136.4	-0.0	–

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

	Bid Price	Offer Price	+ or –	Yield Gross
Discretionary May 31	£154.65	160.01	.....	–
Equity May 31	£168.56	174.49	.....	–
International May 31	£26.16	26.93	.....	–
Intl Bond May 31	£12.42	12.58	.....	–
Fixed Int May 31	£71.56	72.82	.....	–
Index Linked May 31	£60.28	61.03	.....	–
Property May 31	£109.38	115.92	.....	–
Cash May 31	£20.7872	20.7872	.....	–
Pre-Linked Retirement Plan				
Managed June 7	377.6	393.4	-5.8	–
Cash June 7	195.7	203.9	+0.4	–
Prudential Pensions Investment Account				
Pens Mngd June 7	152.4	162.9	+0.4	–
Pens UK Eq June 7	298.6	322.0	+0.1	–
Pens Intl June 7	183.3	196.8	-0.4	–
Pens Fixed June 7	162.1	171.1	-0.4	–
Pens Index Lk June 7	151.2	159.6	+0.3	–
Pens Cash June 7	127.8	134.6	+0.3	–

Regency Life Assurance Co Ltd
Regency Hse, Lazarly Sq, London E14 9XS 01-538 8800

	Bid Price	Offer Price	+ or –	Yield Gross
Aggressive Ptflio Fd	118.2	124.4	+0.5	–
Balanced Ptflio Fd	309.0	325.2	+1.4	–
Cautious Ptflio Fd	120.2	126.5	+0.1	–
Elite Fund	107.2	112.8	+1.0	–
European Fund	84.6	89.0	+0.3	–
Far East Fund	105.6	111.1	-0.5	–
Fixed Interest Fund	235.9	248.3	-1.0	–
International Fund	267.8	281.8	+0.4	–
Money Fund	176.3	185.5	.....	–
N American Fd	120.5	126.8	+0.4	–
Property Fund	413.3	435.0	+1.7	–
UK Equity Fd	375.9	395.6	+3.4	–
A I M Brwin Dipl Fd	92.4	97.3	+0.6	–
Smim Select Invs	109.3	115.1	-0.1	–
Chart Safety First Bd	108.2	113.9	.....	–
Exec Master Fd	97.2	102.3	-0.5	–

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

FT UNIT TRUST INFORMATION SERVICE

[illegible]

ISLE OF MAN (**)

[illegible]

LUXEMBOURG (**)

[illegible]

OFFSHORE INSURANCES

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

Money Market Bank Accounts

[illegible]

Money Market Trust Funds

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
99½	98	Exch. 10pc 1989	99	.....	10.05	13.47
99	98	Exch 11pc 1989	99		11.10	13.51
98	95	Treas 5pc 1986-89	97		5.11	11.34
99½	98	Exch 10¼pcCv '89	98	.....	10.31	11.42
101	99	Treas 13pc 1990‡‡	100		12.98	12.66
99	98	Exch 11pc 1990‡‡	98		11.14	12.86
101	99	Exch. 12½pc 1990	99		12.50	12.82
94	91	Treas. 3pc 1990	93		3.20	10.44
96	95	Treas 8¼pc 1987-90‡‡	96xd	.....	8.59	12.56
98	95	Treas. 8pc Cv 1990 ‡‡	95		8.36	12.31
98	96	Treas. 10pcCv 1990	97		10.30	12.35
91	87	Exch 2½pc 1990	90		2.76	9.53
101	99	Treas 11¾pc 1991	99½xd		11.81	12.12
92	89	Funding 5¾pc '87-91‡‡	91		6.31	11.29
89	86	Treas. 3pc 1991	88		3.38	9.44
100	96	Treas 10pc Cv '91 ‡‡	96xd		10.37	12.01
101	97	Exch. 11pc 1991	98		11.18	11.77
94	91	Treas. 8pc 1991	92xd		8.68	11.71
106	102	Treas 12¾pc 1992‡‡	102		12.39	11.40
99½	96	Treas 10pc 1992	96		10.34	11.43
94	91	Treas. 8pc 1992 ‡‡	91		8.71	11.43
100	97	Treas 10½pc Cv 1992‡‡	97		10.73	11.38
85	82	Treas. 3pc 1992	82xd		3.62	9.75
105	101	Exch. 12¼pc '92	102		11.98	11.38
109	105	Exch 13½pc 1992	105		12.76	11.29
94	90	Treas 8¼pc 1993	91		9.03	11.16
100	96	Treas 10pc 1993‡‡	96		10.32	11.00
108	104	Treas 12½pc 1993‡‡	104xd		11.98	11.10
87¼	84	Funding 6pc 1993‡‡	85		7.01	10.24
113	108	Treas 13¾pc 1993‡‡	109		12.57	11.01
94	90	Treas. 8½pc 1994	90		9.35	11.04
117	112	Treas 14½pc 1994‡‡	113		12.80	10.80
113	108	Exch 13½pc 1994	109		12.38	11.04

Five to Fifteen Years

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BRITISH FUNDS—Contd

Over Fifteen Years

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
59	55	Funding 3½pc '99-04	55xd		6.20	8.75
102	95	Conversion 9½pc 2004	95	+½	9.91	10.03
103	95	Conversion 9½pc 2005	96	+½	10.67	10.20
111	103	Exch. 10½pc 2005	104	+½	10.08	9.97
125	116	Treas 12½pc 2003-05	117	+½	10.67	10.20
90	83	Treas. 8pc 2002-06‡‡	84	+½	9.49	9.91
105	98	Conversion 9¾pc 2006	98	+½	9.88	9.90
118	110	Treas. 11¾pc 2003-07	111	+½	10.58	10.21
96	88	Treas 8½pc 2007 ‡‡	89½	+½	9.51	9.75
134	124	Treas. 13½pc '04-08	125	+½	10.76	10.12
101	93	Treas. 9pc 2008 ‡‡	93	+½	9.58	9.70
92	84	Treas 8pc 2009	85		9.35	9.62
102	94	Conv 9pc Ln 2011 ‡‡	95xd	+½	9.47	9.54
68	63	Treas. 5½pc 2008-12‡‡	63	.....	8.61	9.32
89	83	Treas. 7¾pc 2012-15‡‡	83	+½	9.28	9.47
132	122¼	Exch. 12pc '13-'17	123xd	+½	9.74	9.54

Undated

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
45	41	Consols 4pc	41	.....	9.54	-
40	37	War Loan 3½pc‡‡	37	.....	9.44	-
70	60	Conv. 3½pc '61 Aft	64	.....	5.41	-
41	31	Treas. 3pc '66 Aft	33	.....	8.86	-
30	26	Consols 2½pc	26xd	.....	9.46	-
29½	26	Treas. 2½pc	26	.....	9.55	-

Index-Linked

		(b)			(1)	(2)
129½	124	Treas 2pc IL '90(84.6)	129	.....	-	4.80
107	103	Do. 2pc '92‡‡(97.8)	107		3.18	4.12

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INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
89½	86½	NZ 7¼pc 1988-92	87	+½	8.26	12.00
206	206	S Rhod 2½pc Non-Assd.	206	.....	-	-
84½	84½	Do. 4½pc 87-92 Assd.	84½xd	.....	5.33	9.33

LOANS

Building Societies

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
99	98	N'wide Anglia 9 26.6.89.	99	.....	9.83	14.35
99	98	Do. 10pc 17.7.89	99	.....	10.73	14.05
99	98	Do. 11pc 7.8.89	99		11.13	14.48
99	98	Do. 11pc 29.8.89	99	.....	11.64	14.21
99	99	Do. 12pc 18.9.89	99		12.46	14.21
99	99	Do. 12pc 2.10.89	99		12.41	14.37
99	98	Do. 11pc 6.11.89	98xd	.....	11.94	14.28
100	98	Do. 12pc 4.12.89	99	.....	12.40	14.25
100	99	Do. 12pc 2.1.90	99xd	.....	12.93	14.55
100	98	Do. 12pc 29.1.90	98		12.70	14.21
100	98	Do. 12pc 26.2.90	98	.....	12.85	14.46
102¼	99	Do. 3¾pcIL Ln 2021	99xd	.....	4.38	4.45

Public Board and Ind.

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
99	95	Agric. Mt. 5pc '59-89	99xd	.....	5.05	-
47	45	Met. Wtr. 3pc 'B'	46xd	.....	6.52	10.41

FOREIGN BONDS & RAILS

1989 High	Low	Stock	Price £	+ or -	Div % Gross	Red. Yield
45	40	Greek 7pc Ass.	40	.....	3.50	18.75
45	40	Do. 6pc 28 Stb. Ass.	40xd	.....	3	17.50
45	40	Do 4pc Mixed Ass.	40xd	.....	2	15.00

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AMERICANS

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LONDON SHARE SERVICE

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AMERICANS—Contd

1989 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
463p	278p	Cullinet Sftwr 1c	463p	.....	—	—	—
27	21	Dana Corp. $1	26¼	.....	$1.60	—	3.9
11⅞	854p	Data General	11⅝	+⅛	—	—	—
36½	28⅛	Dun & Bradstreet $1	36⅛	−⅛	$2.00	—	3.5
40⅜	30½	Eaton Corpn. 50c	40	−⅛	h$2.00	—	3.2
11⅞	8⅝	Echlin Inc	11⅛	−⅛	70c	—	4.0
20¼	16⅜	FPL Group 1c	19½	−⅛	$2.20	—	7.1
32⅛	27⅝	Ford Motor $1	31¾	+⅛	$3.00	—	6.0
42⅝	30	GATX 62½c	41⅝	−⅛	$2.00	—	3.0
35⅛	24¼	Gen. Elect. 63c	34	−⅛	$1.64	—	3.0
567p	484p	General Host Corp $1	559p	.....	30c	—	3.4
39⅛	18¼	Gillette $1	26	−⅛	96c	—	2.3
850p	616p	Gt Am First Svgs Bk $1	850p	+3	60c	—	4.5
21⅞	16	Greyhound $1½	21⅛	.....	$1.32	—	3.9
13⅝	847p	Hasbro Inc 50c	13⅝	.....	16c	—	0.7
		For Home Group see Ambase Corp					
49¼	32¾	Honeywell $1½	46¼	−¼	$2.10	—	2.8
18⅞	15¼	Houston Inds.	18⅞	+⅛	$2.96	—	9.9
74⅝	63	IBM Corpn $1¼	69⅝	+⅛	$4.84	—	4.4
52p	45p	Image Storage/R Sys 1c	47p	+2	—	—	—
27⅝	18¼	Ingersoll-Rand $2	27⅝	+	$1.04	—	2.4
31	22½	Lockheed Crpn. $1	30⅞	−⅛	$1.60	—	3.3
20	15	Lone Star Inds $1	20	+	$1.90	—	5.9
24⅝	17½	Louisiana Land 15c	24	+	$1.00	—	2.6
16¼	11½	Lowe's 50c	16⅛	−⅛	48c	—	1.9
23	15	Manuf. Hanover $1	23	+	$3.28	—	8.9
19	13	Merrill Lynch $1	19	+	$1.00	—	3.2
2253p	1910p	Molex Inc	2034p	−14	3.2c	—	—
26¼	18⅛	Morgan (JP) $2½	26⅛	−⅛	$1.66	—	4.0
50⅞	36⅛	NYNEX $1	50⅞	+⅛	$4.36	—	5.4
23⅛	18¼	PHH Corp.	23⅛	−¼	$1.12	—	3.0
253p	220p	Pacific Agr.	253p	.....	—	—	—
25	19	Pacificorp $3¼	24⅛	.....	$2.76	—	6.8
26¼	16⅞	Pacific Telesis 10c	26	+⅛	$1.88	—	4.6
21⅛	15¼	Pall Corp. 25c	21⅛	+⅛	48c	—	1.4
53	39	Pennzoil 83 1/3c	51	−	$3.00	—	3.7
25¼	17	Premark Intl.	25	−¼	60c	—	1.5
39¼	28⅞	Quaker Oats $5	39¼	+⅛	$1.20	—	1.9
30⅛	23½	Rep NY Corpn $5	29	−	$1.28	—	2.7
14	11	Rockwell Intl. $1	13	.....	72c	—	3.3
33⅞	21⅝	Southwestern Bell $1	33⅝	+⅛	$2.60	—	4.9
27⅛	17	Sun Co Inc. $1	27⅛	+⅛	$1.80	—	4.2
29⅛	22	TRW Inc. 62½c	28⅛	−⅛	$1.72	—	3.8
21⅛	14⅛	TW Services $5	20¼	−⅛	10c	—	0.3
34	26¼	Tenneco $5	34	+⅛	$3.04	—	5.7
35	28	Texaco $6.25	31¾	+⅛	$3.00	—	6.0
28	21⅞	Texas Instr $1	27⅞	+⅛	72c	—	1.6
85⅞	58⅝	Time Inc. $1	80⅛	+1	$1.00	—	0.8
18	15	TRINOVA Corp.	17	+	64c	—	2.3
23¼	16	USX $1	22	.....	$1.40	—	3.9
164p	126p	Unilab	158p	.....	—	—	—
33	22⅛	Utd Technologies	31¼	−¼	$1.60	—	3.2
158p	128p	Utilitech Inc.	141p	.....	—	—	—
44⅝	31½	US West	44½	+⅛	$3.76	—	5.3
33⅛	22⅝	Waste Management $1	32	+	48c	—	0.9
19⅝	13½	Whirlpool $1	19⅝	.....	$1.10	—	3.5
21	16	Whitman Corp.	21½	−¼	$1.02	—	3.0
33¾	28⅛	Woolworth $3½	33⅛	+⅛	$1.88	—	3.6

CANADIANS

1989 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
157p	129p	ABM Gold Corp	139p	−7	—	—	—
25p	4½p	Abbot Energy Corp.	25p	.....	—	—	—
14⅛	902p	Amer. Barrick Res.	14⅛	+⅛	—	—	—
19½p	10½p	Armeno	16p	.....	—	—	—
330p	94p	Asiamerica Hldgs	319p	.....	—	—	—
33½p	8½p	Augmitto Expln	10p	+½	—	—	—
17⅛	12⅞	Bk. Montreal	16¾	−⅛	$2.12	—	6.3
960p	655p	Bk. Nova Scot.	960p	+9	92c	—	4.8
20¼	17	BCE	20¼	.....	$2.44	—	5.9
848p	570p	Bow Valley	814p	−4	40c	—	2.5
15½	12⅛	Brascan	15½	+⅛	88c	—	2.9
228p	144p	Breakwater Res.	159p	+12	10c	—	3.2

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS — Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

[illegible]

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INSURANCES—Contd

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING – Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

9¼	5	Wilton Group 1p....y	7½ -¼

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.
Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p....y	98	.....
Craig & Rose £1..y	720	.....
Finlay Pkg. 5p....y	68	.....
Holt (Jos) 25p....y	1333	.....

IRISH

Cap. 8½% Ln. 1991...	£98	.....
9pc Cap Ln. 1996..	£98	+½
Fin. 13% 97/02...	£118	.....
Arnotts..............	448	.....
Carrol (P.J.).......y	152	.....
Hall (R. & H.)........	160	.....
Helton Hldgs.......y	74	.....
Irish Ropes..........	283	.....
United Drug..........	138	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	38
Amstrad	11
BAT	45
BOC Grp	42
BSR	6½
BTR	32
Barclays	42
Beecham	50
Blue Circle	48
Boots	25
Bowaters	44
Brit Aerospace	52
British Steel	7½
Brit. Telecom	21
Burton Ord	18
Cadburys	31
Charter Cons	40
Comm Union	32
Courtaulds	38
FKI Babcock	14
FNFC	22
Gen Accident	85
GEC	28
Glaxo	110
Grand Met	40
GUS 'A'	90
Guardian	18
GKN	34
Hanson	16
Hawker Sidd	68
ICI	100
Jaguar	28
Ladbroke	48
Legal & Gen	26
Lex Service	33
Lloyds Bank	29
Lucas Inds	58
Marks & Spencer	15
Midland Bk	38
Morgan Grenfell	24
Nat West Bk	52
P & O Dfd	55
Plessey	22
Polly Peck	26
Racal Elect	40
RHM	42
Rank Org Ord	60
Reed Intnl	34
STC	32
Sears	10
TI	38
TSB	10
Tesco	14
Thorn EMI	58
Trust Houses	24
T&N	18
Unilever	46
Vickers	18
Wellcome	42

Property

Brit Land	32
Land Securities	52
MEPC	50
Randsworth	28

Oils

Brit Petroleum	21
Burmah Oil	58
Calor	35
Charterhall	2½
Premier	9
Shell	32
Ultramar	26

Mines

Cons Gold	100
Lonrho	30
RTZ	40

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar awaits producer prices

THE DOLLAR finished towards the bottom of the day's range yesterday and down from the close on Tuesday. Investors took the opportunity to take profits from its recent sharp rise, after the US Federal Reserve reduced its Federal funds target range by a quarter of a point.

However, the extent of the dollar's decline may be limited for the time being. Investors are still unsettled by events in China, and the US unit retains its attraction as a safe haven currency.

Business volume yesterday was modest, with many traders content to square positions and wait for the release tomorrow of US producer prices for May. These are expected to indicate how if at all the Fed adjusts official monetary policy. Most *analysts remain cautious*, suggesting that the Fed is unlikely to want a further reduction in interest rates just yet. Lower rates could spark off a revival in consumer spending, and as the authorities have no absolutely conclusive evidence that inflation is slowing.

The dollar touched a best level of DM1.9785 yesterday. Most traders now see little chance of the dollar breaking through resistance at DM1.9950 and there is more chance of sustained profit taking developing if the US unit even approaches DM1.9850. The dollar closed at DM1.9615 from DM1.9770 and Y142.45 against Y142.90. Elsewhere, it finished at SFr1.6975 from SFr1.7140 and FFr6.6625 compared with FFr6.7225. On Bank of England figures, the dollar's exchange rate index fell from 72.2 to 71.8.

Sterling finished towards its best level of the day, helped by a weaker dollar, and also by confirmation from Mr Nigel Lawson, the Chancellor, that the Government will continue to take whatever action is needed to counter inflation. Many investors will be content to maintain square positions until next week when a number of important figures, including retail prices and average earnings, are due for release.

The pound's exchange rate index rose to 92.3 from 92.1 on Wednesday. Against the dollar, sterling rose to $1.5820 from $1.5695 but was unchanged against the D-Mark at DM3.1025. It was higher against the yen at Y225.50 from Y224.25 and finished elsewhere at SFr2.6850 from SFr2.6900 and FFr10.5400 compared with FFr10.5500. Later in New York the pound touched DM3.1100.

The D-Mark broke through resistance at Y72.50 to finish at Y72.62, up from Y72.28 on Wednesday. The yen has suffered more than most currencies from the recent unrest in China, and investors have been switching funds into the D-Mark where strong economic growth has increased the possibility that West Germany may have to push interest rates higher.

The West German unit yesterday was initially firm against the French franc, although it failed to attract any follow through buying; after the Paris fixing at FFr3.3979, the D-Mark fell back to finish in London at FFr3.3966.

£ IN NEW YORK

June 7	Latest	Previous Close
£ Spot	1.5825-1.5835	1.5740-1.5750
1 month	0.56-0.55pm	0.57-0.55pm
3 months	1.78-1.76pm	1.78-1.75pm
12 months	6.70-6.60pm	6.70-6.55pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	June 7	Previous
8.30 am	92.3	91.9
9.00 am	92.2	92.0
10.00 am	92.2	92.2
11.00 am	92.2	92.1
Noon	92.2	92.2
1.00 pm	92.3	92.2
2.00 pm	92.3	92.1
3.00 pm	92.2	92.2
4.00 pm	92.3	92.1

CURRENCY RATES

June 7	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	1	0.793136	0.667487
U.S Dollar	7	1.24102	1.05530
Canadian $	12.39	1.49121	1.26530
Austrian Sch.	5	17.3730	14.5821
Belgian Franc	7.75	51.6854	43.4413
Danish Krone	7½	9.61170	8.07671
Deutsche Mark	4.50	2.46839	2.07366
Neth. Guilder	5.50	2.77802	2.33600
French Franc	9½	8.37813	7.04305
Italian Lira	13½	1761.29	1509.87
Japanese Yen	2½	176.895	150.295
Norway Krone	8	8.92666	7.52004
Spanish Peseta	-	160.173	134.445
Swedish Krona	9½	8.31732	7.00295
Swiss Franc	4.5	2.14324	1.79137
Greek Drach.	20½	N/A	178.324
Irish Punt	-	N/A	0.775554

*All SDR rates are for June 6

CURRENCY MOVEMENTS

June 7	Bank of England Index	Morgan** Guaranty Changes %
Sterling	92.3	-17.9
U.S Dollar	71.8	-5.4
Canadian Dollar	103.6	-0.3

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for June 6.

OTHER CURRENCIES

June 7	£	$
Iran	117.50*	72.50*
Korea(Sth)	1064.35-1054.80	663.90-669.30
Kuwait	0.46560-0.46670	0.29620-0.29670
Luxembourg	65.05-65.15	41.10-41.20
Malaysia	4.2475-4.2660	2.6980-2.7020
Mexico	3898.00-3956.00	2474.00-2484.00
N. Zealand	2.7480-2.7530	1.7430-1.7460
Saudi Ar.	5.8970-5.9020	3.7510-3.7520
Singapore	3.0670-3.0860	1.9440-1.9470
S. Af (Cm)	4.3340-4.3445	2.7510-2.7540
S. Af (Fn)	6.4985-6.6356	4.1235-4.2105
Taiwan	41.20-41.30	26.05-26.10
U.A.E.	5.7735-5.7775	3.6725-3.6730

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu June 7	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4413	+2.32	+1.04	±1.5344
Danish Krone	7.85212	8.07671	+2.86	+1.58	±1.5404
German D-Mark	2.05853	2.07366	+0.73	-0.55	±1.0981
French Franc	6.90403	7.04305	+2.01	+0.73	±1.3674
Dutch Guilder	2.31943	2.33600	+0.71	-0.57	±1.5012
Irish Punt	0.768411	0.775554	+0.93	-0.35	±1.6684
Italian Lira	1483.58	1509.87	+1.77	+1.02	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

June 7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5710-1.5825	1.5815-1.5825	0.55-0.52cpm	4.06	1.82-1.77pm	4.54
Canada	1.8870-1.8950	1.8940-1.8950	0.19-0.10cpm	0.92	0.86-0.71pm	1.66
Netherlands	3.49-3.50½	3.49-3.50	2-1¾cpm	6.65	5¾-5¼pm	6.65
Belgium	64.95-65.25	65.05-65.15	30-26cpm	5.16	93-85pm	5.47
Denmark	12.07¼-12.11	12.08¼-12.09¼	5¼-4¾orepm	5.03	14¼-13¾pm	4.63
Ireland	1.1585-1.1655	1.1615-1.1620	0.50-0.45cpm	4.91	1.40-1.30pm	4.65
W. Germany	3.10-3.10¾	3.10-3.10½	1¾-1¼pfpm	7.01	5½-5¼pm	6.93
Portugal	257.85-260.05	258.30-259.30	13-62cdis	-1.74	33-147dis	-1.39
Spain	200.60-202.25	201.25-202.25	7-17cdis	-0.71	21-39dis	-0.59
Italy	2255½-2261½	2258½-2259½	3-1lirepm	1.06	10-8pm	1.59
Norway	11.24¾-11.29	11.26¼-11.27¼	2¾-2⅜orepm	2.80	8¼-7¾pm	2.91
France	10.53-10.56¼	10.53¾-10.54¾	4½-4¼cpm	4.98	13¾-13pm	5.00
Sweden	10.46¾-10.48¾	10.47½-10.48½	1⅞-1⅝orepm	2.00	6⅞-6⅛pm	2.43
Japan	224½-226	225-226	1⅝-1½ypm	8.31	5-4⅞pm	8.65
Austria	21.80-21.90	21.85-21.90	13-11gropm	6.58	37-33pm	6.40
Switzerland	2.67½-2.69¼	2.68-2.69	1½-1¼cpm	6.15	4⅜-4¼pm	6.42

Belgian rate is convertible francs. Financial franc 65.20-65.30. Six-month forward dollar 3.62-3.57cpm 12 month 6.60-6.50pm.

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

June 7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5710-1.5825	1.5815-1.5825	0.55-0.52cpm	4.06	1.82-1.77pm	4.54
Ireland†	1.3515-1.3615	1.3595-1.3605	0.12-0.17cdis	-1.38	0.06-0.16dis	-0.32
Canada	1.1950-1.2005	1.1965-1.1975	0.30-0.33cdis	-3.15	0.85-0.90dis	-2.92
Netherlands	2.2095-2.2285	2.2095-2.2105	0.48-0.46cpm	2.55	1.25-1.21pm	2.22
Belgium	41.10-41.45	41.10-41.20	4.50-3.00cpm	1.09	11.00-8.00pm	0.92
Denmark	7.63¾-7.70¾	7.63¾-7.64¼	0.80-0.45orepm	0.98	0.60dis-par	-0.16
W. Germany	1.9600-1.9785	1.9610-1.9620	0.49-0.46pfpm	2.90	1.23-1.19pm	2.46
Portugal	164-164¾	164-164¼	60-100cdis	-5.85	205-285dis	-5.98
Spain	127.20-128.25	127.40-127.50	48-58cdis	-4.99	160-170dis	-5.18

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 41.20-41.30.

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
F Fr.	0.949	1.501	2.944	213.9	10.	2.547	3.316	2143	1.798	61.76
S Fr.	0.372	0.589	1.156	83.99	3.926	1	1.302	841.3	0.706	24.25
H Fl.	0.286	0.453	0.888	64.52	3.016	0.768	1	646.4	0.542	18.63
Lira	0.443	0.700	1.374	99.82	4.666	1.189	1.547	1000.	0.839	28.82
C $	0.528	0.835	1.637	119.0	5.562	1.417	1.844	1192	1	34.35
B Fr.	1.536	2.430	4.767	346.4	16.19	4.124	5.369	3470	2.911	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Firmer trend as cash rates fall

STERLING AND dollar denominated prices all recorded useful gains in yesterday's Liffe market as upward pressure on global interest rates eased. Short sterling prices were pushed firmer by a softer tone in the cash market and the pound's improvement. The September contract moved up to 86.07 from 86.02 at the opening and 85.97 on Tuesday. Volume was a little down from the levels seen earlier in the week but still over 17,000 lots changed hands. The Long gilt broke through 93-00 for September delivery, finishing at 93-05, up from 92-27 at the start and 92-19 on Tuesday.

US Treasury bond futures reacted favourably to the reduction in Fed funds although the improvement was relatively modest since a fall in rates had already been anticipated.

West German bond futures moved firmer as the Bundesbank reduced its minimum accepted bid at yesterday's sale and repurchase tender. Over 23,000 contracts were exchanged for September delivery, and the price broke through resistance at 94.07 to close at 94.08 from 93.83 at the opening and 93.73 previously.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
90	334	410	24	44
91	247	328	37	62
92	200	250	54	120
93	134	214	114	148
94	59	147	149	217
95	37	121	227	255
96	23	63	313	333

Estimated volume total, Calls 2175 Puts 1237
Previous day's open int. Calls 6728 Puts 14141

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
88	704	720	12	38
90	517	547	25	101
92	338	416	46	134
94	215	302	123	220
96	113	203	221	321
98	39	122	347	440
100	19	54	527	608

Estimated volume total, Calls 201 Puts 250
Previous day's open int. Calls 1998 Puts 1560

LIFFE BUND FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
9250	179	191	21	49
9300	141	158	33	66
9350	107	128	49	86
9400	79	102	71	110
9450	54	80	96	138
9500	37	61	129	169
9550	23	46	165	204

Estimated volume total, Calls 2130 Puts 1229
Previous day's open int. Calls 5814 Puts 6017

LIFFE £/$ OPTIONS

LIFFE EURODOLLAR OPTIONS

LIFFE SHORT STERLING

PHILADELPHIA SE £/$ OPTIONS

LONDON (LIFFE)

CHICAGO

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Jun	0.5882	0.5909	0.5881	0.5864
Sep	0.5911	0.5942	0.5910	0.5891
Dec	0.5935	0.5965	-	0.5918

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Jun	327.40	328.00	325.55	324.85
Sep	331.85	332.70	330.00	329.25
Dec	335.90	336.50	-	333.25

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.5820	1.5766	1.5640	1.5460	1.5165

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Jun	1.5754	1.5804	1.5748	1.5720
Sep	1.5580	1.5630	1.5566	1.5538
Dec	1.5400	1.5440	-	1.5362

BASE LENDING RATES

	%		%		%
ABN Bank	14	Clydesdale Bank	14	NatWestminster	14
Adam & Company	14	Comm. Bk. N. East	14	Northern Bank Ltd	14
AAB - Allied Arab Bk	14	Co-operative Bank	*14	Norwich Gen. Trust	14
Allied Irish Bank	14	Coutts & Co	14	PRIVATbanken Limited	14
● Henry Ansbacher	14	Cyprus Popular Bk	14	Provincial Bank PLC	15
Associates Cap Corp	14	Dunbar Bank PLC	14	R. Raphael & Sons	14
Authority Bank	14	Duncan Lawrie	14	Roxburghe G'rantee	14½
● B & C Merchant Bank	14	Equatorial Bank plc	14	Royal Bk of Scotland	14
Bank of Baroda	14	Exeter Trust Ltd	14½	Royal Trust Bank	14
Banco Bilbao Vizcaya	14	Financial & Gen. Bank	14	● Smith & Williams Secs.	14
Bank Hapoalim	14	First National Bank Plc.	15	Standard Chartered	14
Bank Credit & Comm	14	● Robert Fleming & Co.	14	TSB	14
Bank of Cyprus	14	Robert Fraser & Ptnrs.	14½	United Bk of Kuwait	14
Bank of Ireland	14	Girobank	13	United Mizrahi Bank	14
Bank of India	14	● Guinness Mahon	14	Unity Trust Bank Plc	14
Bank of Scotland	14	HFC Bank plc	14	Western Trust	14
Banque Belge Ltd	14	● Hambros Bank	14	Westpac Bank Corp.	14
Barclays Bank	14	Heritable & Gen Inv Bnk	14	Whiteaway Laidlaw	14
Benchmark Bank PLC	14	● Hill Samuel	§14	Yorkshire Bank	14
Berliner Bank AG	14	C. Hoare & Co.	14		
Brit Bk of Mid East	14	Hongkong & Shangh	14		
● Brown Shipley	14	● Leopold Joseph & Sons	14		
Business Mtge Tst	14½	Lloyds Bank	14		
CL Bank Nederland	14	Meghraj Bank Ltd	14		
Central Capital	14	McDonnell Douglas Bnk	14		
● Charterhouse Bank	14	Midland Bank	14		
Citibank NA	14	Mortgage Express Ltd.	‡13.75		
City Merchants Bank	14	Mount Banking	14		
		Nat Bk. of Kuwait	14		

● Members of British Merchant Banking & Securities Houses Association. * Deposit now 5.9% Savewise 8.5%. Top Tier-£10,000+ instant access 12.8% ‡ Mortgage base rate. § Demand deposit 9%. HSMR (2) 13.75%

EUROPEAN OPTIONS EXCHANGE

Series		Aug. 89 Vol	Aug. 89 Last	Nov. 89 Vol	Nov. 89 Last	Feb. 90 Vol	Feb. 90 Last	Stock
Gold C	$380	758	9.10	55	19	35	28	$374.65
Gold C	$390	82	4.70	3	14	-	-	$374.65
Gold C	$420	165	1.10	-	-	-	-	$374.65
Gold P	$370	336	5.40	-	-	-	-	$374.65
Gold P	$390	107	15	-	-	-	-	$374.65

TOTAL VOLUME IN CONTRACTS: 46,986
A=Ask B=Bid C=Call P=Put

MONEY MARKETS

More relaxed tone

INTERBANK TRADING adopted a slightly more relaxed tone in London yesterday as sterling finished on a firmer note. Three-month money slipped to 14-13$\frac{15}{16}$ per cent from 14⅛-14 per cent on Tuesday. The day's business was concluded in the shadow of a Parliamentary debate on the UK economy later in the day.

The Bank of England forecast a shortage of around £200m. Factors affecting the market included bills maturing in official hands and a take up of Treasury bills, together with repayment of any late assistance draining £147m. There was also a rise in the note circulation of £80m, and banks brought forward balances £50m below target. These were partly offset by Exchequer transactions which added £65m.

UK clearing bank base lending rate
14 per cent
from May 24

The forecast was revised to a shortage of around £300m, and the Bank gave assistance in the morning of just £7m through outright purchases of eligible bank bills in band 1 at 13⅞ per cent. Afternoon assistance came to £160m on a revised shortage of £350m. The Bank made outright purchases of eligible bank bills in band 1 at 13⅞ per cent. Late help came to £60m, making a total of £227m.

In **Frankfurt**, the Bundesbank accepted bids of DM14.7bn at yesterday's 35-day sale and repurchase tender at rates between 6.50 and 6.80 per cent. About 60 per cent of the amount allotted was at the *minimum accepted bid rate*. The latter is down slightly from 6.60 per cent offered the week before, and is the same as the Lombard rate.

A maturing facility of DM12.1bn ensures a net injection of DM2.6bn. Commercial banks will be grateful for this as they are currently having to find sufficient liquidity to meet this month's tax deadline. However, call money was barely changed at just below 6.5 per cent; although welcome, most traders see the extra money as being insufficient to meet banks' requirements.

In **Zurich**, short term interest rates were slightly lower after the central bank reduced its floating Lombard rate to 7⅝ per cent from 7⅞ per cent. The Lombard rate has now fallen back sharply from a level of 9¼ per cent last Friday. This reflects the central bank's success in deterring some banks from using borrowing under the Lombard facility as a cheap source of finance when interbank rates move higher.

FT LONDON INTERBANK FIXING

(11.00 a.m. June 7) 3 months US dollars		6 months US Dollars	
bid 9¼	offer 9⅜	bid 9⅛	offer 9¼

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Lunchtime	
Prime rate	11
Broker loan rate	10¾-½
Fed.funds	9⅞
Fed.funds at intervention	9½

Treasury Bills and Bonds			
One month	8.75	Three year	8.36
Two month	8.44	Four year	8.35
Three month	8.44	Five year	8.32
Six month	8.31	Seven year	8.34
One year	8.42	10-year	8.31
Two year	8.40	30-year	8.38

June 7	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	6.40-6.50	6.55-6.70	6.70-6.85	6.85-7.00	7.05-7.20	6.50
Paris	8½-8⅝	8⅝-8$\frac{13}{16}$	8⅝-8¾	8$\frac{11}{16}$-8$\frac{13}{16}$	8¾-8⅞	7.25
Zurich	6½-6⅝	7¼-7½	-	7¼-7½	-	-
Amsterdam	6.37-6.50	6.96-7.06	-	7.08-7.18	-	-
Tokyo	4$\frac{13}{16}$-4$\frac{15}{16}$	5⅜-5½	-	5⅜-5½	-	-
Milan	12⅛-12½	12⅜-12⅝	-	12⅜-12⅝	-	-
Brussels	8.80	8⅝-8¾	-	8½-8⅝	-	-
Dublin	8½-8⅝	8⅝-8¾	8⅞-9⅛	9¼-9½	9⅝-9⅞	-

LONDON MONEY RATES

June 7	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15	13½	13⅞	14⅛	14⅛	14⅛
Interbank Bid	12	13⅛	13$\frac{13}{16}$	13$\frac{15}{16}$	14	13⅞
Sterling CDs	-	-	13¾	14	14	13$\frac{13}{16}$
Local Authority Deps.	13	13¼	13¾	13$\frac{15}{16}$	14	13$\frac{13}{16}$
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	14¼	13¼	13½	13¾	-	-
Company Deposits	-	-	13⅝	13$\frac{15}{16}$	13⅞	13$\frac{13}{16}$
Finance House Deposits	-	-	13$\frac{13}{16}$	14	14⅛	14
Treasury Bills (Buy)	-	-	13½	13⅞	-	-
Bank Bills (Buy)	-	-	13⅝	13⅞	13¾	-
Fine Trade Bills (Buy)	-	-	14⅜	14⅜	13⅞	-
Dollar CDs	-	-	9.50-9.45	9.30-9.25	9.15-9.10	9.10-9.05
SDR Linked Dep Offer	-	-	8$\frac{11}{16}$	8½	8½	8½
SDR Linked Dep Bid	-	-	8⅜	8¼	8¼	8¼
ECU Linked Dep Offer	-	-	9	9	9⅛	9¼
ECU Linked Dep Bid	-	-	8$\frac{13}{16}$	8⅞	9	9⅛

Treasury Bills (sell); one-month 13⅜ per cent; three months 13⅞ per cent; Bank Bills (sell); one-month 13½ per cent; three months 13$\frac{11}{16}$ per cent; Treasury Bills; Average tender rate of discount 13.5322 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day May 31, 1989. Agreed rates for period June 26, 1989 to July 25, 1989, Scheme I: 14.02 p.c., Schemes II & III: 14.45 p.c. Reference rate for period April 29 to May 31, 1989, Scheme IV&V: 13.151 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 13½ from June 1, 1989: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 9½ per cent; one-three months 11 per cent; three-six months 11 per cent; six-nine months 11 per cent; nine-twelve months 11 per cent; Under £100,000 9½ per cent from December 1, 1988. Deposits withdrawn for cash 5 per cent.

COMPANY NOTICES

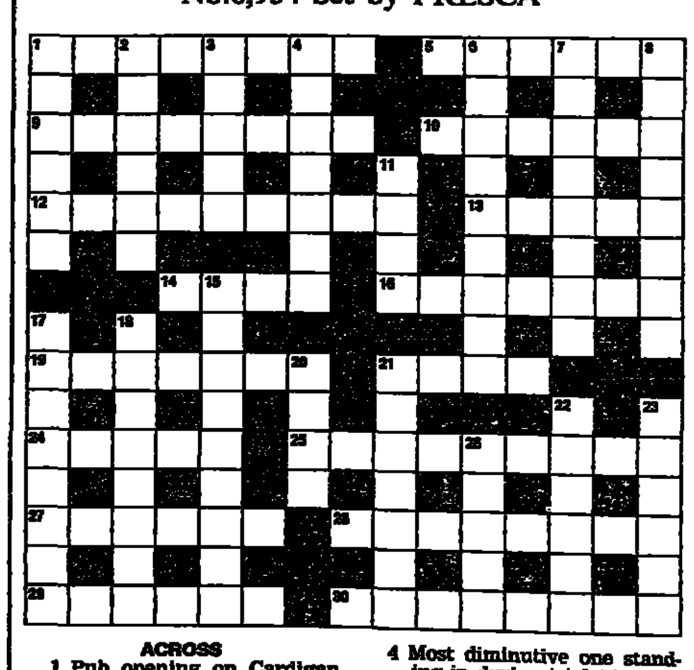
THE ROYAL BANK OF CANADA
US$300,000,000 Floating Rate Debenture Notes due 2085

NOTICE IS HEREBY GIVEN that for the interest period commencing 9th June 1989, the notes will bear interest at the rate of 9$\frac{7}{16}$% per annum. The interest payable on 11th September 1989 against coupon 14 will be US$24.97 per US$1,000 nominal.

Agent Bank
ORION ROYAL BANK LIMITED

CROSSWORD

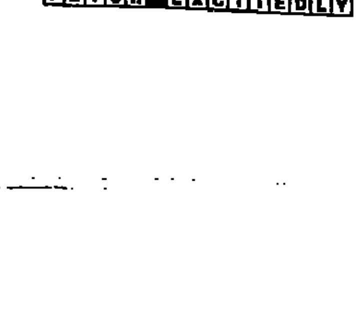
No.6,954 Set by FRESCA



ACROSS
1 Pub opening on Cardigan Bay (8)
5 Set out to get married – in this state? (6)
9 Suggestive of revolutionary pursued by duck – fast! (8)
10 Uncommon fear involving Conservative leader (6)
11 See 14
12 One's part in the plot? (9)
13 Certain portraits and coins forged (5)
14, 11 End of line for street involved in postal chaos (4,4)
16 Forge ahead with device for printing a back number (5,2)
19 Objects to work on models (7)
21 See 20
24 Neat way to make pulp (5)
25 Pet, perhaps, discovered in a French outhouse, not at all hurt (9)
27 Man, in general, on the way back for a glossy coat (6)
28 Unfeeling course of ultimatum (8)
29 Experiments in writing? (6)
30 Like a 'B' movie on a cloudy night? (8)

DOWN
1 A piece of furniture for an office? (6)
2 Problem sieve? (6)
3 Young bird's cry of irritation a hindrance (5)
4 Most diminutive one standing in during trial (7)
6 Clinging quality of model terribly seasick when crossing pole (9)
7 Stable kind of troop carrier? (8)
8 Investment in compost? (8)
11 See 14
15 Planned a Yule rest with no frills (9)
17 Fishy bit of mediaeval mens-wear (8)
18 Greek citizens with brown boxes outside (8)
20, 21 across Thus the old place by the loch gives rise to acrimony (8)
21 Being born at noon on the way up (7)
22 More than one centre forsaking chocolate ice (6)
23 Summer's reptiles? (6)
26 It grows amid general dereliction (5)

Solution to Puzzle No.6,953



WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

FRANCE (continued)

[illegible]

GERMANY

[illegible]

GERMANY (continued)

[illegible]

ITALY

[illegible]

ITALY (continued)

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

AUSTRALIA

[illegible]

HONG KONG

[illegible]

SINGAPORE

[illegible]

CANADA

TORONTO
4pm prices June 7

[illegible]

Total Sales 7,082,269 shares.

MONTREAL
4pm prices June 7

[illegible]

INDICES

NEW YORK DOW JONES

	June 7	June 6	June 5	June 2	1989 High	1989 Low	Since compilation High	Since compilation Low
♦Industrials	2512.32	2496.32	2480.70	2517.83	2517.83 (2/6)	2144.64 (3/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	91.89	91.68	91.44	91.12	91.89 (7/6)	87.35 (23/3)	—	—
Transport	1145.86	1141.35	1146.02	1158.31	1165.59 (26/5)	959.95 (3/1)	1165.59 (26/5/89)	12.32 (8/7/32)
Utilities	205.96	204.78	203.12	203.47	205.96 (7/6)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2526.65 (2507.54) Low 2493.38 (2471.32)

STANDARD AND POOR'S	June 7	June 6	June 5	June 2	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite ‡	326.95	324.24	322.03	325.52	326.95 (7/6)	275.31 (3/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial (latest)	373.82	371.10	368.52	372.99	373.82 (7/6)	318.66 (3/11)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	31.22	30.93	30.75	30.91	31.22 (7/6)	24.30 (3/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	182.34	180.93	179.89	181.49	181.49 (2/6)	154.98 (3/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	364.41	360.84	359.58	360.47	364.41 (7/6)	305.24 (3/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	453.20	447.96	447.84	451.63	453.20 (7/6)	378.56 (3/1)	455.28 (26/8/87)	54.87 (31/10/72)

	Jun 2	May 26	May 19	year ago (approx.)
Dow Industrial Div. Yield	3.51	3.38	3.35	3.58
	May 31	May 24	May 17	year ago (approx.)
S & P Industrial div. yield	3.02	3.03	3.04	2.94
S & P Indl. P/E ratio	13.53	13.46	13.42	15.38

TRADING ACTIVITY † Volume Millions	June 7	June 6	June 5
New York	213.710	187.570	163.420
Amex	16.861	13.366	12.250
OTC	(u)	142.744	137.726

NEW YORK	June 7	June 6	June 5
Issues Traded	2005	1993	1981
Rises	976	941	680
Falls	536	564	853
Unchanged	493	488	448
New Highs	243	176	205
New Lows	13	20	16

CANADA

TORONTO	June 7	June 6	June 5	June 2	1989 High	1989 Low
Metals & Minerals	3439.0	3411.5	3421.8	3436.0	3564.9 (6/2)	3207.5 (3/1)
Composite	3785.8	3757.2	3722.1	3730.1	3785.8 (7/6)	3350.5 (6/1)
MONTREAL Portfolio	1929.11	1916.31	1901.56	1908.01	1929.11 (7/6)	1677.48 (3/1)

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Warner Comms	7,110,300	53½	+ 1¼	Windmere	2,793,400	14⅛	− 2
Paramount	6,080,400	54⅞	+ ⅛	AT&T	1,999,200	36	+ ⅛
Time	5,779,500	170	+ 43¾	Syntex	1,982,300	53	+ 3⅛
TW Services	4,514,900	33⅛	+ ⅛	Gen Instruments	1,910,500	36	+ 1⅞
Eastman Kodak	3,376,200	50½	+ 3¼	CNW Corp	1,722,000	47½	—

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	June 7	June 6	June 5	June 2	1989 High	1989 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1534.0	1523.3	1535.5	1524.8	1583.7 (23/5)	1412.9 (7/4)
All Mining (1/1/80)	702.9	696.3	696.1	687.7	727.0 (26/1)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	335.86	333.28	329.87	330.58	335.86 (7/6)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6100.36	6099.66	6099.96	6103.98	6125.62 (29/5)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	316.77	315.23	(c)	312.73	316.77 (7/6)	275.49 (27/2)
FINLAND						
Unitas General (1975)	807.5	810.5	811.8	810.7	815.8 (18/4)	723.3 (4/1)
FRANCE						
CAC General (31/12/82)	483.4	483.3	485.9	481.2	485.9 (5/6)	417.9 (4/1)
Ind. Tendance (30/12/88)	114.0	113.8	114.5	113.7	114.5 (5/6)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	597.32	589.93	595.49	593.20	597.32 (7/6)	535.78 (27/2)
Commerzbank (1/12/53)	1771.8	1750.7	1766.3	1760.8	1771.8 (7/6)	1595.7 (27/2)
DAX (30/12/87)	1432.66	1413.78	1419.13	1419.71	1432.66 (7/6)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2224.66	2149.71	2093.61	2675.38	3309.64 (15/5)	2093.61 (5/6)
ITALY						
Banca Comm. Ital. (1972)	622.49	619.18	617.06	612.19	622.49 (7/6)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	33626.89	33452.01	33457.08	33667.4	34266.75 (31/5)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2487.29	2482.58	2486.57	2501.56	2544.60 (8/5)	2366.91 (6/1)
NETHERLANDS						
CBS Trl. Rtn. Gen. (End 1983)	246.3	245.8	243.9	244.9	246.3 (7/6)	208.3 (3/1)
CBS All Shr (End 1983)	191.9	191.5	190.0	190.8	191.9 (7/6)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	625.61	629.44	633.79	634.34	665.61 (19/4)	467.17 (2/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1226.74	1233.13	1271.37	1305.21	1310.02 (17/5)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1534.0§	1445.0	1445.0	1390.0	1639.0 (23/3)	1291.0 (15/2)
JSE Industrial (28/9/78)	2521.0§	2471.0	2451.0	2434.0	2581.0 (28/4)	1961.0 (3/1)
SPAIN						
Madrid SE (30/12/85)	311.29	309.15	309.39	310.35	313.18 (31/5)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4020.0	4001.5	4018.4	4018.9	4053.9 (30/5)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	704.2	699.5	700.1	694.4	704.2 (7/6)	613.1 (3/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	497.8	500.3	503.6	519.0 (17/2)	491.2 (28/3)

§ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Wednesday June 7 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Tosoh	33.3m	Y1,030	+Y20	Tokyu Dept St	12.3m	1,670	+120
Toshiba	22.1m	1,400	-30	Shokubai Kagak	10.1	2,130	+80
Kawasaki Steel	21.7m	1,010	+40	Amada	9.9m	2,130	+60
Sumitomo Metal	14.7m	870	+23	Japan Organo	9.7m	1,460	+130
Ohbayashi	13.9m	1,860	+80	Gunze	8.9m	1,270	+100

AMEX COMPOSITE PRICES

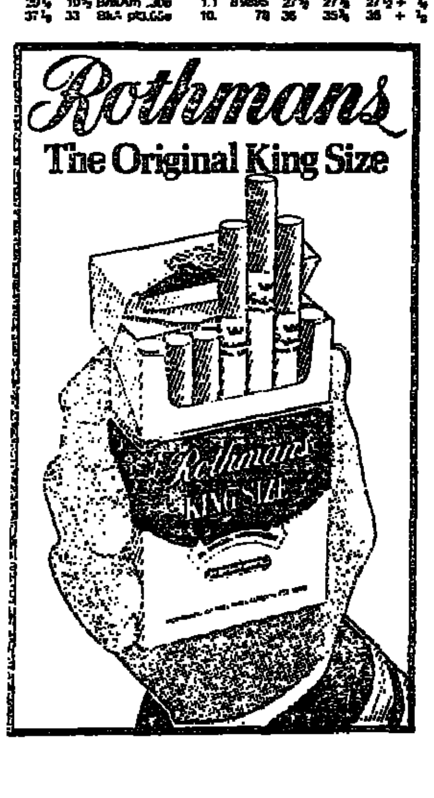
4pm prices June 7

[illegible]

4pm prices June 7

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- A - A - A -								
31¾	21⅛	AAR	.44	1.4	21	378	u32⅛	30⅝	32	+1⅛
10⅛	8⅝	ACM n	1.01	11.		149	9¼	9⅛	9¼	
11⅞	10⅛	ACMIn	1.28a	11.		388	11⅛	10⅞	11	
10⅛	8½	ACM M	n1.01	11.		551	9½	9⅛	9⅛	+ ⅛
11½	10	ACM Sc	1.28	12.		1047	11	10⅞	10⅞	
10	8⅞	ACMSp	1.01	11.		618	9⅛	8⅞	9⅛	+ ⅛
17¼	10⅞	AL Lab	.12	.7	18	190	16½	16¼	16¼	
4⅞	3	AMCA	.12e	3.0	27	13	4	4	4	
6⅛	3½	AM Intl				1999	5⅝	5½	5½	
23½	18⅞	AM In pf	2	9.2		65	22	21⅞	21⅞	
65⅞	40⅞	AMR			7	4243	62⅞	61⅞	62⅞	+ ⅝
27	25	ANR pf	2.67	10.		6	26⅞	26⅞	26⅞	+ ⅛
24¼	20⅞	ANR pf	2.12	8.6		4191	24⅞	24⅞	24⅞	
9½	3¼	ARX				35	4½	4⅜	4⅜	- ⅛
46⅞	32¼	ASA	3a	7.2		595	42⅛	41⅞	41⅞	- ⅛
22⅞	15¼	AVX	.24	1.1	11	208	22¼	21⅞	22⅛	+ ⅛
61	45½	AbtLab	1.40	2.3	18	2429	u61⅛	60⅛	60⅞	+ ⅞
19	15⅞	AbitibI g	1			91	16⅞	16⅛	16⅛	
12	7½	AcmeC	.40	3.5		43	11⅞	11⅛	11⅞	+ ⅛
8	5⅞	AcmeE	.32	4.1	18	22	8	7⅞	7⅞	
34¾	20¼	Acusn			25	243	32	31⅞	31⅞	+ ⅛
15⅞	14¼	AdaEx	1.82e	12.		132	15⅝	15½	15⅝	+ ⅛
15⅞	7⅛	AMD				2333	10¼	10	10	- ⅛
43½	28¾	AMD pf	3	8.8		3	34⅞	34⅛	34⅛	- ⅛
12⅞	6½	Adobe				1719	9⅞	9⅜	9⅜	
16⅞	16½	Adob pf	1.84	10.		2	18⅛	18⅛	18⅛	- ⅛
21½	19⅞	Adob pf	2.40	11.		11	20⅞	20⅛	20⅞	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]



Continued on Page 43

NYSE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
Continued from previous Page										
24	16½	PopeTal	.80	2.5	9	475	24	23⅝	24	+ ⅜
8½	3⅞	Portec			35	66	8	7⅞	7⅞	− ⅛
24½	20¼	PortGC	1.96	8.0	12	1026	u24½	24⅛	24½	
27⅞	25¼	PorG pf	2.60	9.5		11	27⅞	27½	27⅞	+ ⅛
38	28⅝	Potltch	1.04	2.8	8	313	37⅞	37¼	37¼	
23⅛	19¼	PotmEl	1.48	7.0	10	3738	21⅛	20¾	21	+ ¼
39⅞	28	Premrk	.84	2.2	13	x694	39	38⅜	38½	− ⅝
33⅛	25⅛	Prestw	.48	1.6	19	67	31	30⅞	30⅞	+ ⅛
8⅞	5⅛	Primark				786	8½	8¼	8½	+ ¼
21	11⅞	PrimeC				2956	18⅞	18⅜	18½	
39⅛	24⅝	PrimeM	.08	.3	14	1945	31⅞	31½	31⅞	+ ¼
17⅞	14¼	PrMLtd	2.04	14.	16	44	14¾	14½	14½	
29	20¼	Primca	.28	1.2	6	6905	24¼	23½	23⅝	+ ⅛
105⅞	71¼	ProctG	3.20	3.1	15	3754	105	103⅝	104⅝	+ ⅝
23¼	14⅝	PrdRs	.48	2.2	20	139	22	21⅞	21⅞	
33¼	21⅝	PropCp	.44	1.5	8	356	29⅛	28⅝	29	+ ½
75½	52½	Proler	1.40	1.9	6	7	74	73⅝	74	+ ¼
10⅛	8½	ProsSt	n1.44	15.		257	9½	9⅜	9½	
10⅛	8¼	PruStr	1.02	11.		781	8⅞	8⅝	8⅞	
1½	1⅛	PruRIC			3	390	1⅛	1¼	1⅛	
6⅛	6	PruRl	.66	11.		77	6⅛	6¼	6⅛	+ ⅛
9⅞	6⅛	PruStr	1.05a	12.		853	8½	8⅜	8½	+ ⅛
23⅛	19½	PSvCol	2	8.9	13	993	22⅝	22½	22½	
22¾	20½	PSCol pf	2.10	9.7		7	22	21⅞	21⅞	
13¼	10⅞	PSIn pfC	1.08	7.8		z1560	u13⅞	12⅞	13⅞	+1⅛
78	67¼	PSIn pfD	7.15	9.3		z10	u77	77	77	+1
[illegible]										
3¼	2	Zapata				128	2⅞	2¾	2⅞	
30⅛	18⅝	Zayre	.40a	1.4	198	1752	29½	28⅞	29⅜	+ ⅛
17⅞	16¼	Zayre wi				55	17⅛	17	17	
15½	10½	Zemex	.40	3.3	133	1	12	12	12	+ ⅛
30	18½	ZenithE			1019	1647	20½	20⅛	20⅜	+ ⅛
10⅝	8⅞	Zenine	1.26	14.		194	9⅝	9½	9⅝	− ⅛
2⅜	1	vjZenLb				348	1½	1⅜	1⅜	− ⅛
21⅝	15	ZenNtl	.84	4.6	9	31	18⅝	18⅜	18⅜	− ¼
21	14¼	Zero	.44	2.0	17	433	u21½	20¾	21½	+ ¾
38¾	19¾	Zurnin	.68	1.8	19	658	u37⅛	36⅛	36⅞	+ ⅛
11¾	10	Zweig	1.07e	9.6		472	11⅛	11	11⅛	+ ⅛
10⅛	8⅛	Zweig n	.96	10.		1484	9½	9⅜	9½	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

OVER-THE-COUNTER

Nasdaq national market, 3pm prices June 7

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
A&W Bd		26	395	24⅞	24½	24⅝	
ADC		13	87	16	15⅝	15⅞	+ ⅛
ADT			2186	28¾	28⅞	28⅞	+ ¼
ALC h			619	4 15-16	4 13-16	4 15-16	+ ⅛
ASK		15	741	14⅝	14⅝	14⅞	
AST			213	9	8⅞	8⅞	− ⅛
Acadin		23	382	1½	1⅜	1⅜	−1-16
AcmeSt	.05e	6	424	24⅞	24	24	
ActARt s	t	30	39	21¼	21	21¼	
Actmed			3	14⅞	14⅛	14⅛	− ⅛
Acxiom		17	571	15¾	15½	15½	
AdacLb	.16	16	2503	5 7-16	5 5-16	5⅜	−1-16
Adapt		56	2613	10⅛	10⅛	10½	+ ½
Adingt s		18	166	18¾	18¾	18¾	− ¼
AdiaSv	.14	15	61	24	23½	24	+ ½
[illegible]							
DebShp	.20	14	212	12¼	12¼	12¼	− ½
DeklbE	.10i	14	110	24	23¾	24	+ ¼
DkbGn	.18e	12	22	29⅛	29	29⅛	
Delchm	.38	17	278	28¼	28	28¼	+ ⅛
DellCpt		12	302	8⅞	8	8⅞	+ ⅞
DepGty	1.52	8	4	32½	32½	32½	
Devon		12	562	17⅛	17	17	
Diagnst		29	76	7⅛	6⅞	6⅞	− ⅛
Dibrel s	.66	12	17	28½	28	28½	+ ½
DigMic		34	281	32¼	31¾	32¼	+ ¾
Dionex		16	402	21¼	20¾	20¾	− ¼
DixieYr	.06	12	15	18½	18½	18½	− ⅜
DirGnl	.20	37	185	11¾	11½	11¾	
DomaT			409	2	1⅝	1⅞	− ⅛
DomBk	.80	9	205	20⅜	20⅛	20⅜	− ⅞
[illegible]							
Kinetic		14	141	8⅛	8⅛	8⅛	
Kinrck		33	24	22⅛	21¾	22⅛	+ ¼
Komag			2501	11¼	9¾	11¼	+1⅛
Kruger	.22	26	4	10⅛	10⅛	10⅛	
Kulcke		9	498	8⅞	8½	8½	− ⅜
— L-L —							
LPL		11	4	18¼	18⅛	18⅛	
LSI Lt s	.05	16	24	12½	12⅛	12½	
LSI Lg		17	2186	11⅞	11¼	11¼	− ⅛
LTX			2714	3⅝	3⅜	3⅜	
LaPete		29	101	9½	9¼	9½	+ ⅛
LaddFr	.28a	12	719	15⅛	14⅞	15	
LaidlT B	.24	36	3261	14½	14⅛	14½	+ ⅛
LamRs		13	571	9⅛	8⅝	8¾	− ¼
Lancstr	.72	12	154	u22	21½	21½	+ ½
[illegible]							
Repign			836	u10½	9⅞	10½	+ ½
RestHd	.51e	22	4710	37⅞	37¼	37⅞	+ ½
Rexon		9	221	7½	7¼	7⅜	+ ⅛
RhonPl	.96e		18	44⅞	44½	44⅞	+ ⅜
RichEl	.16	14	286	18⅝	18¼	18⅜	+ ⅛
RigsNt	1.25	9	30	24	23½	23¾	+ ¼
RoadSv	1.10	15	278	30¾	30¼	30½	
RbtHlf		17	103	19⅛	19	19⅛	− ⅛
RochCS	.44	13	240	17¾	17½	17½	
RckBcp	.24e	16	5	15⅞	15⅞	15⅞	
RevitFn	.80	5	880	u14⅝	14⅛	14⅛	− ⅛
RoseB	.16a	11	240	8¼	8⅛	8⅛	− ⅛
RossStr		18	812	19⅞	19⅛	19⅞	− ½
Rouse	.66	127	437	29¼	29	29¼	
RyanF		18	1314	7⅛	6⅞	6⅞	− ⅛
[illegible]							
WhelTch		34	131	26⅝	26¼	26½	− ⅛
Whlclub		24	169	13⅝	13½	13⅝	+ ⅛
WilyJ A	1.10	94	30	63	63	63	+ ½
Wilamt	1.45	7	165	44	43¾	44	+ ¼
WilmTr	1.24	12	479	u38½	37¾	38	
WiserO	.40	43	149	15⅞	15½	15½	− ⅛
Wolohn	.28	9	11	18	17½	17½	
WWEx h			281	6⅛	6	6	− ⅛
Worthg	.48	14	352	22⅛	21⅝	22⅛	+ ⅛
Wyman	.60	68	2425	18½	18¼	18¼	− ¼
— X-Y-Z —							
XL Dta s		20	1394	u24½	23½	23½	− ½
XOMA			981	19	18½	19	+ ⅛
Xicor		10	589	7⅞	7⅝	7⅞	− ⅛
YelowF	.70	11	433	28	27⅞	27¾	− ⅛
ZionUt	1.44		9	25¼	24¾	24¾	− ⅛
Zycad			113	3⅝	3⅜	3½	− ⅛

FINANCIAL TIMES Thursday June 8 1989

AMERICA

Multi-billion dollar bids add spice in busy session

Wall Street

TRADING was enlivened yesterday as two multi-billion dollar bids were announced and all the main market indices were quoted higher at midsession, *writes Janet Bush in New York*.

The Dow Jones Industrial Average closed 16.0 points higher at 2,512.32 on heavy New York Stock Exchange volume of 213.7m shares.

Other indices showed even stronger gains. The Standard & Poor's 500 was up a substantial 2.70 points (worth more than 20 points on the Dow) at 326.94, the American Stock Exchange Index was up 3.57 points at 364.41 and the Nasdaq Composite was quoted 5.25 points higher at 453.20, very near to an all-time high.

The S&P 500 index gained particularly from news of a $175 a share takeover offer for Time Inc from Paramount Communications. Time executives denounced the $10.7bn bid which puts at risk its agreement to merge with Warner Communications. Time has long been particularly volatile because of speculation of a rival bid and has appreciated considerably because of it. Yesterday's news sent its stock to a spectacular gain of $43¾ to stand at $170. Warner added $1⅛ to $53¼ and Paramount added $1 to $55.

The other important news was a bid for LIN Broadcasting from McCaw Cellular, which added tremendous vigour to the Nasdaq market of over-the-counter stocks. The bid for the 90 per cent of LIN that it does not already own is worth $120 a share or $5.85bn and sent LIN surging $26 to $129½. McCaw, also traded on the OTC market, saw its A shares add $3¾ to $47.

These two mega-bids boosted other entertainment issues such as CBS, which jumped $4¾ to $205⅝, MCA, which added $1⅞ to $56⅝ and McGraw Hill, which was up $3⅞ to $72⅞.

Outside the excitement in these sectors, things were more subdued. Blue chips were mixed with IBM down $⅛ at $109½ and Ford down $1 at $49.

There is a positive undertone to both stock and bond markets in the wake of the small monetary easing undertaken by the US Federal Reserve this week which has taken the Fed Funds range to about 9½ per cent to 9⅝ per cent compared with 9¾ per cent to 9⅞ per cent previously.

There have been positive comments about the prospect for a soft landing for the economy from members of the Fed and the Administration this week.

The dollar remains a determinant in both markets.

In late New York trade, the dollar traded well above its lows at DM1.9735 from DM1.9605 earlier and at Y142.85 from Y142.20.

Canada

HELPED BY advances in banking stocks, share prices closed sharply higher in Toronto on active trading.

The composite index rose 28.6 to 3,785.8, the high for the day. Advancing stocks led declining ones 389 to 297. Volume of 31.23m shares was up from Tuesday's 31.18m.

EUROPE

Financial issues shine as most bourses rise strongly

IN A powerful day for European bourses, financial stocks fared especially well, *writes Our Markets Staff*.

FRANKFURT leapt back from two days of consolidation as foreign and domestic investors piled into the market.

The FAZ index climbed to within a hair's breadth of the 600 level, ending 7.39 higher at a new 1989 peak of 597.32. The DAX was up a strong 18.88, or 1.3 per cent, at 1,432.66 and volume surged to DM6.02bn.

News of the 4.2 per cent rise in first quarter gross national product helped drive the market, together with lower interest rates in the US, a weaker dollar, and a Bundesbank repo allocation at lower rates than last week.

There was talk of money coming in from the Asia Pacific region, but one analyst said it was not clear if this was directly linked to funds leaving Hong Kong because of the Chinese crisis or was simply part of a worldwide preference for European markets.

Another analyst said: "The market will go on up until the dollar is suddenly strong again or people get concerned about the strong growth of the economy, which could be worrying for interest rates in the next couple of months."

The financial sector, which has lagged, was strong, with Deutsche Bank rising DM12 to DM559 and Aachener and Münchener up DM7 at DM735 after news of higher profits.

Chemicals remained actively traded as investors went in search of dividends. Hoechst, which went ex a DM12 dividend, was off DM11.80 at DM303, but Bayer rose DM4.50 to DM313.20 and BASF gained DM3.20 to DM314.50 – both go ex dividend later this month.

PARIS was weaker but buzzing with corporate news. It was lifted off its lows towards the close by news from construction company Lafarge Coppée and Wall Street's firm start.

The OMF 50 index ended 0.87 down at 502.96 and the CAC 40 index eased 0.40 to 755.16. The opening CAC General index edged up 0.1 to 483.4. Volume was estimated at FFr2.5bn.

Late news that Lafarge was taking control of Cementia, the Swiss cement group, and, in the process, of Spanish cement company Asland helped pull up the market. Lafarge, which becomes the world's second largest cement producer, rose FFr42 to FFr1,592.

The announcement came after Tuesday's news that food group BSN was buying five RJR Nabisco companies. One analyst said the market had been surprised to see "French companies very aggressively using their profits and cash resources . . . and becoming world leaders all of a sudden."

BSN, the most active stock with 659,300 shares traded, fell FFr12 to FFr679. The company disappointed the market by failing to give details of how it would finance the deal, other than talking of a capital restructuring.

CGE, the engineering group, dropped FFr6.50 to FFr457.50 on profit-taking after saying on Tuesday that it intended to restrict voting rights. An analyst said: "This takes a bit of froth out of CGE."

MILAN rose to its highest levels this year, in spite of a lack of news. One analyst said the market's strength was slightly puzzling, but the absence of political developments had helped.

Insurance issues continued to make a technical recovery, helping to support the rest of the market. RAS picked up L250 to L28,000, rising to L28,400 after the close, and Generali added L150 to L40,750, surging to L41,200 later.

The Comit index rose 3.31 to 622.49 in volume estimated to be similar to Tuesday's L200bn.

ZURICH had a good day, with foreign and domestic demand helping the Crédit Suisse index rise 4.5 to 579.9 in busy trade. Wall Street's overnight rise, stable interest rates and the rising franc proved encouraging, and insurance and banking stocks made strong gains. Winterthur bearers rose SFr150 to SFr4,700.

AMSTERDAM had a quieter day but ended generally stronger, with the focus also on lagging financials. The CBS tendency index gained 0.9 to 184.2 in turnover of Fl 779m.

A stronger bond market and better outlook on interest rates helped financials such as Amev, up 80 cents at Fl 51.70 in very active trading, and ABN Bank, up 30 cents at Fl 42.70.

The construction sector was boosted by news of an expansion in building activity and by recent takeover activity, with HBG gaining Fl 10.50, or 5 per cent, to a year's high of Fl 221.

Fokker rose 30 cents to Fl 42 after news that Bombardier of Canada had won the battle to buy Shorts Bros of the UK.

MADRID recovered in a strong day following gains on Wall Street. The general index rose 2.12 to 311.29, with Telefonica up 2.75 percentage points at 194.50 per cent of par and Repsol up 3.75 at 423.25.

Cement group Asland closed unchanged at 1,915 before news that Lafarge had become its main shareholder. The stock has more than doubled this year amid takeover talk and one analyst said it was likely to fall now that the speculation was over.

STOCKHOLM recovered to close higher when buyers returned after early losses. Underlying sentiment remained dampened by the crisis in China. The Affärsvärlden general index added 6.0 to 1,177.3 in turnover of SKr310m.

Ericsson, the telecommunications giant, advanced strongly in busy trading after several buy recommendations. "The Americans are proving very keen on it and are prepared to pay almost anything to get their hands on it," said one analyst. Its free B shares added SKr17 to SKr519.

Procordia, the conglomerate, reported a 29 per cent rise in four-month profits and added SKr15 to SKr500.

BRUSSELS ended mixed in brisk trading with most interest again firmly fixed on the steel sector. The cash market index edged up 0.7 to 6,100.36.

Cockerill firmed BFr5 to BFr368 in heavy turnover of 104,000 shares but Arbed slipped BFr50 to close at BFr6,490.

COPENHAGEN advanced on the back of continuing strong gains in shipping stocks, supported by foreign buying.

China crisis causes gut reaction in Taiwan

Jacqueline Moore puts the progress of a notoriously volatile market into perspective

TAIWANESE eyes have been nervously fixed on China this week, after the bloodshed in Peking at the weekend stirred investors' fears of lost trading chances and even of military invasion.

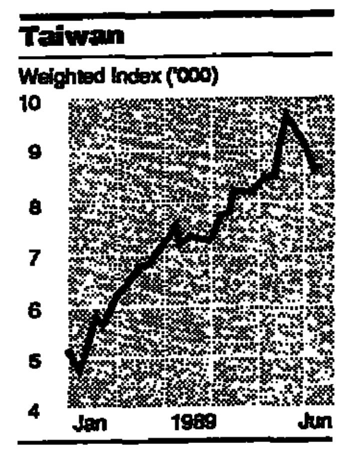
In two days at the beginning of this week, the weighted index plummeted 9.3 per cent. Yesterday, it managed to recover a little ground, encouraged by two days of gains in Hong Kong, with the weighted index adding 39 points to 8,720.55.

Turnover, one of Taiwan's most impressive features, shrank early this week as many share prices fell by the maximum limit of 5 per cent. On Tuesday, the market went limit down in about an hour, which kept turnover to T$4bn (US$154m) – not a bad volume for most emerging markets, but minuscule by Taiwan standards. Only last week, daily turnover had been as high as T$120bn – comparable with daily trading on the New York Stock Exchange this week.

The market, driven by a large pool of liquidity for which there are few outlets, had been surging ahead this year, with the index reaching a series of record highs. Even after the recent declines, it has soared 70.3 per cent in 1989. However, the much-predicted rise to the 10,000 level on the index faltered last Thursday, when investors took profits and shares fell sharply. Now, after the Chinese massacre, analysts predict further falls to the 8,000 or even 6,000 level.

When the market has declined to those levels, however, or when the situation in China is eventually resolved, Taiwan is expected to bounce back. Slumps in share prices are no novelty to a market notorious for its volatility. Last year the index plunged by nearly 40 per cent after the announcement of a capital gains tax on share profits.

In the long-term, Taiwan needs to improve investment opportunities for foreigners – not to attract more money, but to improve its international standing, says Mr Jonathan Compton of the Pacific Basin Securities division at Bankers Trust Bank. Currently, foreigners can invest through four mutual funds, one of which, the ROC Taiwan Fund, has just been repackaged, with a full New York listing.



Taiwan will also need to take tough measures to control its huge share price swings, says Mr Robert Simpson of James Capel. "The market has got to start behaving like other westernised markets," he claims. "Taiwan has been doing crazy things and people are not treating it like a stock market." For example, he explained, still-to-be-formed banks have been listed on the grey market with price earnings ratios of about 100.

In the meantime, however, Taiwan is likely to keep its gaze firmly fixed on its giant neighbour. Until the weekend, events in China had apparently washed over the market. However, the demonstrators' deaths forced the market to react. The reasons for the share price falls, says Mr Compton, were fears of a Chinese invasion, an emotional response to the massacre – many people have relatives in China – and fears for trade prospects.

The portents for trade with China, at least, do not look all gloomy. "If a sensible [Chinese] Government is established, the creeping rapprochement of the past six years will continue, with more Taiwan/China trade delegations and more official talks," asserts Mr Compton.

In spite of the troubles this week, analysts say they still have long-term hopes for Taiwan. The economy is in good shape, with no serious problems, says Mr Richard Katz of Baring Securities, apart from a labour shortage and difficulties with electric power output. Moreover, this is an election year, he says, and the Government has stepped in to support the market in past times of trouble.

The prospects for greater currency stability are also good. The US recently said it was happy with Taiwan trading practices and that it saw no need for the Taiwan dollar to rise further, says Mr Katz.

ASIA PACIFIC

Nikkei rebounds as low prices lure investors

Tokyo

LOWER prices lured investors into a round of selective buying and share prices rebounded for the first time in four trading days although turnover remained low, *writes Michiyo Nakamoto in Tokyo*.

After opening sharply higher, the Nikkei average slipped at midday but later managed to regain its upward momentum and closed 174.88 points higher at 33,626.89. It had reached a day's high of 33,676.89 and a low of 33,398.50. Advances led declines by 458 to 416, with 218 stocks unchanged.

Activity was still sluggish at 622m shares, only moderately higher than Tuesday's 567m. The Topix index of all listed shares advanced 4.71 to 2,487.29 and in London the ISE/Nikkei 50 added 3.78 to 1,979.99.

The Tokyo market received psychological support from the strong overnight gains on Wall Street but it was apparently not prepared for a fully-fledged recovery and share prices dipped before the morning close as concern over international events and the direction of currencies resurfaced.

Bargain hunting and buying by investment trusts later helped to lift shares again. Investors were beginning to feel the market had bottomed out, since the Nikkei average has lost more than 800 points in the previous four trading days, analysts said.

Meanwhile, institutional investors were reported to be increasing their investments in foreign stocks as receding fears of inflation in the US and the strong dollar made US equities, in particular, considerably more attractive. Tokyo, by contrast, has suffered a drop in institutional activity recently because of concern over interest rates and the weakness of the yen.

Issues which have fallen steeply from their highs were favoured yesterday. Among them were steels, many of which had lost over 10 per cent. Nippon Steel advanced Y23 to Y880, after hitting a year's low of Y851 on Tuesday. It had fallen 13.5 per cent from its peak of Y984 on February 23.

Kawasaki Steel surged Y40 to Y1,010 and was third on the volume list with 21.7m shares traded.

Nonferrous metals staged a strong performance on news that gold futures prices had advanced sharply in New York. The rally was led by gains in Sumitomo Metal Mining, which added Y50 to Y1,410.

Environment-related issues remained popular. Tosoh, an integrated chemical maker, continued its advance from Tuesday, moving up Y20 to Y1,030 amid news it had succeeded in an experiment to dissolve chlorofluorocarbons. It was the most heavily traded stock with 33.3m shares.

Interest returned to the steel and construction sectors in Osaka. The OSE average rebounded 90.22 points to finish at 32,504.40. Volume was still low at 55m shares, although up on Tuesday's 34.42m. Shimizu Construction gained Y130 to Y2,100

THE HONG Kong Stock Exchange yesterday was even more volatile than on Tuesday, as the market struggled to unravel conflicting news and rumours from China, *writes Lucy Kellaway in Hong Kong*.

At one stage, the Hang Seng index was nearly 150 points up at 2,299 as news emerged of army factions withdrawing from Tiananmen Square, but the gains were not held and the market closed 74.95 points higher at 2,224.66. The rioting on Tuesday night in Hong Kong had no impact on prices.

Few brokers yesterday took much encouragement from the rise, which has pushed the market up about 10 per cent from its lowest level reached on Monday. The Hongkong Bank supported the market for the third day running. The continued high turnover – HK$2.3bn worth of stocks were traded – was said to reflect some buying by foreign institutions as well as punting by local investors.

"There has been a lot of short covering today, it has been a very technical market," said Mr Barry Yates of First Pacific Securities. He said support in the market was very tenuous and warned of further falls. Mr Richard Witts of Schroder Securities said he was bemused by yesterday's rise. "Until the situation in China stabilises, it would be absolute speculation to buy," he said.

The property sector, which had fallen further, made the largest bounce back with some stocks up by 5 per cent or more. Cheung Kong, the property group controlled by Mr Li Kashing, rose by 60 cents to HK$6.90 during the day, before ending at HK$6.55. After the local market closed, Hong Kong shares traded sharply lower in London.

Roundup

BARGAIN-hunters lifted some Asia Pacific markets but the troubles in China weighed on sentiment elsewhere.

AUSTRALIA again followed Wall Street, this time upwards, and the All Ordinaries index gained 10.7 to 1,534.0 in moderate turnover of 132m shares worth A$283m. Takeover activity and a firmer bullion price also helped sentiment recover.

Conglomerate Adsteam climbed 24 cents to A$7.04 after buying a 15.7 per cent stake in AWA, the communications and electronics group.

IEL, in which Adsteam holds about 10 per cent, was suspended pending its announcement of a merger with food group Goodman Fielder Wattie. Brierley Investments, IEL's parent company, rose 10 cents to A$1.35.

WELLINGTON picked up from Tuesday's fall amid speculation about the merger between Goodman Fielder Wattie and IEL. The Barclays index added 3.6 to 1,881.67.

SINGAPORE fell for a third day in continued nervousness over China, but gains on Wall Street and in Hong Kong contained the market's losses. The Straits Times industrial index shed 6.39 to 1,226.74 in active trading of 74m shares, down from Tuesday's 100m.

SEOUL fell heavily on worries over the bloodshed in China. The composite index lost 25.47 to 875.99.

SOUTH AFRICA

GOLD share prices ended sharply higher yesterday in fairly active, but cautious, Johannesburg trading as the market watched bullion prices.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY JUNE 7 1989						TUESDAY JUNE 6 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (86)	132.09	+1.2	123.79	116.27	+0.6	4.97	130.57	123.34	115.55	157.12	128.28	145.11
Austria (19)	120.82	+1.0	113.23	123.58	+0.2	2.11	119.62	112.99	123.37	124.16	92.84	87.77
Belgium (63)	129.28	+0.8	121.15	131.51	+0.0	4.18	128.24	121.14	131.57	137.10	126.33	124.41
Canada (124)	141.10	+1.0	132.23	122.30	+0.6	3.34	139.77	132.03	121.60	141.10	124.67	124.09
Denmark (38)	181.23	+0.3	169.85	188.32	−0.7	1.79	180.68	170.67	189.59	181.23	165.35	130.93
Finland (26)	145.14	+0.7	136.02	133.78	−0.1	1.56	144.12	136.14	133.93	159.16	125.81	137.11
France (128)	120.26	+1.0	112.70	125.68	+0.1	3.02	119.09	112.50	125.59	122.79	112.57	97.89
West Germany (100)	86.05	+1.9	80.64	87.75	+1.1	2.32	84.42	79.74	86.77	90.40	79.56	76.96
Hong Kong (49)	91.99	+3.6	86.21	92.16	+3.7	5.86	88.78	83.67	88.89	140.33	86.41	104.93
Ireland (17)	137.57	+0.7	128.92	142.53	−0.1	2.95	136.61	129.04	142.63	151.36	125.00	136.10
Italy (97)	79.10	+1.4	74.13	84.36	+0.6	2.62	78.04	73.72	83.81	86.66	74.97	70.38
Japan (455)	176.03	+0.5	164.97	158.51	+0.2	0.50	175.13	165.43	158.19	200.11	175.13	172.43
Malaysia (36)	174.21	+0.0	163.26	181.15	−0.2	2.65	174.24	164.59	181.52	185.03	143.35	143.55
Mexico (13)	230.03	+0.5	215.58	623.49	+0.6	0.81	228.80	216.13	619.65	230.30	153.32	162.45
Netherland (42)	117.40	+1.1	110.02	118.42	+0.2	4.35	116.17	109.73	118.16	122.22	110.63	105.68
New Zealand (24)	63.22	−1.3	59.25	58.57	−0.5	6.30	64.03	60.48	58.88	76.02	63.22	81.13
Norway (26)	174.82	+0.2	163.83	169.01	−0.6	1.57	174.52	164.85	169.96	198.39	139.92	124.11
Singapore (26)	152.94	−0.5	143.33	137.12	−0.8	2.02	153.69	145.17	138.25	161.98	124.57	119.65
South Africa (60)	141.31	+3.6	132.43	128.70	+3.8	4.11	136.44	128.88	124.00	144.86	115.35	135.12
Spain (43)	146.05	+1.5	136.87	141.02	+0.7	3.58	143.92	135.95	140.05	156.17	143.14	162.92
Sweden (35)	159.13	+1.5	149.13	156.06	+0.9	2.20	156.80	148.12	154.66	162.00	138.45	123.78
Switzerland (57)	75.81	+2.0	71.05	79.78	+1.0	2.55	74.35	70.24	79.01	79.76	67.81	80.95
United Kingdom (314)	139.12	+1.3	130.38	130.38	+0.5	4.44	137.37	129.76	129.76	153.33	134.53	138.18
USA (557)	133.36	+0.9	124.98	133.36	+0.9	3.36	132.18	124.86	132.18	133.36	112.13	110.52
Europe (1005)	116.14	+1.3	108.85	114.34	+0.5	3.56	114.62	108.27	113.75	121.70	112.65	109.53
Nordic (125)	153.73	+0.9	144.07	147.90	+0.1	1.93	152.42	143.98	147.74	155.61	137.95	118.04
Pacific Basin (676)	171.22	+0.6	160.46	154.44	+0.3	0.73	170.25	160.82	154.05	194.72	170.25	168.69
Euro – Pacific (1681)	149.25	+0.8	139.87	138.40	+0.3	1.63	148.05	139.85	137.93	164.22	148.05	145.04
North America (681)	133.73	+0.9	125.33	132.68	+0.9	3.36	132.54	125.20	131.58	133.73	112.79	111.24
Europe Ex. UK (691)	101.61	+1.4	95.23	104.41	+0.6	2.93	100.23	94.68	103.84	105.29	96.30	91.76
Pacific Ex. Japan (221)	113.61	+1.5	106.47	103.86	+1.2	4.97	111.93	105.73	102.60	137.65	111.93	123.67
World Ex. US (1878)	148.93	+0.8	139.57	137.96	+0.4	1.71	147.69	139.51	137.44	162.77	147.69	144.23
World Ex. UK (2121)	142.72	+0.8	133.75	137.00	+0.6	2.06	141.56	133.72	136.24	146.04	138.06	130.53
World Ex. So. Af. (2375)	142.39	+0.8	133.44	136.43	+0.5	2.25	141.20	133.38	135.71	146.65	138.82	131.16
World Ex. Japan (1980)	126.50	+1.1	118.55	125.09	+0.8	3.50	125.13	118.20	124.11	126.50	114.51	111.41
The World Index (2435)	142.38	+0.9	133.43	136.37	+0.5	2.27	141.17	133.35	135.63	146.51	138.83	131.19

Constituent change:(7/6/89):Deletion:Hartogen Energy (Australia).